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THE JOURNAL OF  
THE INSTITUTE OF CHARTERED ACCOUNTANTS  
IN ENGLAND AND WALES

OCTOBER 1959

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# Accountancy

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## Professional Notes

### Accountants in Parliament

AT THE DISSOLUTION, the House of Commons included five members who were also members of the Institute of Chartered Accountants in England and Wales. Of these all five stood again and maintained their seats. They are: in the Conservative interest, Mr. A. E. Marples, elected for Wallasey in 1945 (Postmaster-General), Mr. J. M. Howard, and Mr. G. P. Stevens, an M.P. since 1950; and members of the Labour Party, Mr. F. J. Allaum, B.COM., and Mr. John Diamond, who returned to the House at a by-election in 1957. In addition to these five the list of candidates included fifteen further members of the Institute in England and Wales, three Scottish Chartered Accountants and two Certified Accountants. As most of these were new entrants for the honour of membership of Parliament it was scarcely to be expected

that they would face an easy task in securing election and of the total of twenty only three secured election. Mr. L. H. Cleaver, J.P., F.C.A., contesting Birmingham, Yardley, as a Conservative, drove out the Labour member by a majority of 1,385. Apart from his professional activities Mr. Cleaver is known as president of the Rugby Union. As an offset to this Mr. Bruce Millan, C.A., of the Scottish Gas Board, displaced the sitting Conservative member at Glasgow, Craigton, by the slender majority of 602, while Major Wm. Gibson Clark, F.A.C.C.A., retained the seat for the Conservative Party at Nottingham South. The net result is that the accountant membership of the House is raised from five to eight, of whom one is a member of the Institute of Chartered Accountants of Scotland and one a Fellow of the Certified Accountants. Of the eight, five are Conservative and

three Labour. Of the three candidates who stood in the Liberal interest none was successful but Mr. M. N. Shaw, J.P., F.C.A., who stood as Liberal and Conservative for Brighouse and Spenborough, deserves condolences on a very near miss. He reduced the majority of the sitting Labour member to 47 against the previous figure of 1,626.

### "Cheap" Electricity

AS A RESULT of the changes introduced into the organisation of the industry, the Minister of Power has just reported on electricity for the period January 1, 1958, to March 31, 1959, and the reports of the Electricity Council and the Central Electricity Generating Board also cover that period. Both the latter, however, also include detailed results for the year from April 1, 1958, so that comparable yearly figures are available, and it is these figures that are the most useful. The consolidated accounts of the industry for the year show a surplus, after meeting all interest and other capital charges, of £27,300,000, of which £16,570,000 odd was earned by the twelve Area Boards. This is the best figure since nationalisation and it arises from virtual stability in the general price level, from the fruits of earlier outlays and economies, from the fruition of a rise in charges before the new body came into being and from an expansion in demand, which was much less on the industrial side than in the private and commercial sectors. Some indications of development are provided by a rise in thermal efficiency from 25.51 to 26.10 and by movements in the load factor. This, adjusted to eliminate varying weather conditions and, in the earlier years, shortage of generating plant, fell in the year to 46.5, compared with 46.8 for 1958 and 46.6 for 1957, but was higher than in any earlier year since nationalisation. But this compares with 60 for the U.S.A. and some 55 for other industrial countries. As a result of these developments, it is expected that, given reasonable stability of fuel costs and wages, there will be no need for a rise in charges for supply to the Area Boards over the next three years.

As is claimed, this is a contribution to the general stability of other prices, but one may ask whether it is proper to envisage the stabilisation of electricity charges at the present figure. It had been hoped that with the change in organisation there would be a change in policy, particularly on the provision of depreciation. The basis of this remains historical cost, whereas replacement of a station is very much above that figure. It is true that some of the new stations will be much more efficient than the old, so much so that the capital cost per unit of output, on certain assumptions, will be lower. This, however, does not justify the present depreciation policy. The new management has taken a minor step in the right direction by providing, as regards the Generating Board only, depreciation on some assets which were regarded as being eternal and in reducing, on the average, the estimated life of others. In consequence there was a rise of £5,900,000 in the appropriation above what it would have been on the old basis, and it is estimated that this, with other appropriations for the industry, amounted to £89 million against a total capital expenditure of over £257 million, or rather under 35 per cent., whereas total provisions from nationalisation to date are rather over that figure. The written-down book value of fixed assets represented 64.2 per cent. of their gross value against 63.7 per cent. a year before. In view of the fact that capital outlays promise to rise substantially it seems regrettable that depreciation, and therefore charges for electricity, should not be put on a more realistic basis.

### Classification and Coding

THE IMPORTANCE OF classification and coding is now becoming more widely recognised. "Classification and coding," says E. G. Brisch, "is a basic technique upon which all forms of control can be given sounder foundations." The aphorism recalls a dictum of an American writer of thirty years ago, M. L. Cooke, that "only as we learn to classify, and as a result of such

classification to eliminate, to simplify, standardise and to codify, does any genuine science of management emerge."

A recent publication from America is a welcome and useful addition to the scanty literature on the subject. Issued by the National Association of Accountants as a research report, the booklet\* maintains the high standard of presentation of the publications coming from the Association over the years.

The report divides, in effect, into four quarters. The first is on the fundamentals of classification and coding; the second on the development of codes for accounts; the third on the coding of products and materials; and the last on some advanced aspects of coding and an application in the mechanised planning of material requirements. Illustrations of codes for accounts and for other purposes are liberally provided throughout.

Classification "opens the way to simplification and elimination of unnecessary variety. Simplification reduces the cost of data processing . . . and when applied to materials or products, additional savings may be realised." These additional savings accrue from carrying smaller inventories, from reducing manufacturing costs, from improved records of stocks and costs, and in other ways.

In discussing the different types of codes, sequence codes, block codes, group codes and decimal codes are referred to. The terminology seems to differ somewhat from that of British writers. While it is stated that code numbers should be as short and simple as possible, it seems that there is no great problem in dealing with accounting codes of up to fifteen digits. A description of one such code is included. (In reality, the symbols show a wide variety of features, including such non-accounting ones as the location of the factory and the product or equipment in question; the bare accounting information does not require a full

\* *Classification and Coding Techniques to Facilitate Accounting Operations*. Number 34 in the Research Series of the National Association of Accountants, 505 Park Avenue, New York 22, N.Y., U.S.A. Pp. 52. No price stated.



fifteen figures, and some transactions require no coding.) Examples of product and material codes are given.

Advanced applications of coding include the classifying of data by frequency of use to reduce data handling time, coding to improve utilisation of memory capacity, and the uses of codes in integrated data processing.

The practices of forty companies constitute the principal source of material for the report, in which it is pleasing to note references to British publications, including *The Classification and Coding of Accounts*, prepared for the Institute of Cost and Works Accountants by J. M. S. Risk, PH.D., C.A., F.C.W.A.

### Protecting the Investor

IT HAS UNFORTUNATELY been necessary to await the development of the imbroglia arising from the Jasper affair and the involvement of the State Building Society before the authorities could be stirred to face the need for reform of the Companies Act and the law, or rather Orders in Council, affecting the building societies. As to the former, there have been numerous suggestions from financial quarters, including the Press, while the Council of the Institute submitted to the Board of Trade between the coming into force of the new Companies Act, 1948, and late in 1952 three interim memoranda containing points of substance on which action seemed desirable. It is, however, under conditions of full prosperity, and a return to really free markets, that the weaknesses of Act have been tested, and it is now clear that the requirements as to prospectuses demand further tightening up. This is not a matter for accountants as such, although their experience will no doubt enable them to make an essential contribution. It is for those who compose the capital markets of the City of London to ensure the protection of the investor and of the vast majority of its members who are of good behaviour. It is true that those who may have burned their fingers in the past year or so over deals in property shares, and who may yet suffer later, have

rushed in with too little serious consideration to take advantage of offers which looked exceptionally attractive — for example, where a building society has offered interest far above that normally considered reasonable in the movement. But it is the duty of the authorities to see to it that a prospectus contains sufficient information to enable a reasonable judgment of prospects to be formed. It is even more clearly their duty to ensure that the privi-

leges extended to building societies are not abused by concerns which are indisposed to face the requirements of the Companies Act as it now stands. No doubt a number of companies which are styled building societies but do not act as do the majority—including all members of the Building Societies Association—conduct their businesses with due regard to the interests of their depositors and shareholders. Their contribution may be valuable but it is

### OUR JULY/AUGUST ISSUE

We regret that by an extraordinary mistake of the Post Office and British Railways a very large number of copies of our July/August issue were much delayed in delivery.

Soon after publication we received from subscribers a few complaints of non-delivery of the issue, but such a limited number of copies might have gone astray in the post in what might be called the "normal way" or might have been incorrectly addressed. Only later, when the queries became more numerous, did it seem that there must be some special cause of delay. We made enquiries from our printers (from whose works the copies are despatched in post bags) and were astounded when it was eventually discovered that 121

bags of ACCOUNTANCY had been left for many days in a railway siding at Harlow.

Each bag takes more than 100 copies, so that well over 12,000 copies were delayed in delivery by this mistake.

In the July/August issue we apologised for a smaller delay in publication caused by the printing stoppage, but subscribers who received their copies almost a month late will now appreciate that the apology did not refer to the major delay.

We reproduce a letter received by Mr. Ian Shand of Simson Shand Ltd., our printers, from the Head Postmaster at Harlow. The matter is being taken further with the Post Office and the British Transport Commission.

I regret to inform you that 121 bags of a posting of the journal *Accountancy* that you posted during the working week ended Friday, September 4, 1959, were found in a parcels railway van at Harlow station by one of my staff on Tuesday, September 15, 1959.

The bags were consigned to the following offices:

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| Redhill             | London     | Exeter       |
| Derby               |            |              |

As you are no doubt aware the Post Office is using Harlow station as a temporary measure while Burnt Mill station is being rebuilt. On making enquiries regarding the delay we were told that on September 4 a railway van arrived for us with a consignment of empty mail bags. These we unloaded and were then told that the same van was to be used to send some of the *Accountancy* posting to London. We loaded 121 bags into this railway van on the same day and I understand the railway people left them there under the impression that the van still contained our empty bags.

This matter has been reported to my headquarters who are negotiating with the Railway Executive for better facilities for despatching mails from Harlow.

I am very sorry this serious delay has occurred and you may rest assured that we will do all possible to prevent a recurrence.

Yours faithfully,

R. A. KERR  
Head Postmaster.

September 21, 1959

wrong that they should enjoy privileges—including that of being able to advertise exceptionally attractive rates of interest, in part because of the composite rate of tax—which were granted and designed for the encouragement of a different type of enterprise. This whole matter of tightening up the designation of bodies which are accorded special rights needs careful investigation and action, as do the activities of any institution which is permitted to advertise for money from the general body of investors. In the particular case of the building societies the Registrar, after consultation with the Association and the Institute of Chartered Accountants in England and Wales, issued a new return in August last (see ACCOUNTANCY, July/August, pages 356–7, and September, page 452) requiring more particulars of mortgages and of investments, rendering the completion of this document even more formidable than it had been in the past. But it does not solve the problem. The requirements, as seen by Mr. G. R. Appleyard, F.C.A., chairman of the City of London Building Society, were given in the issue of ACCOUNTANCY for March, last, pages 140–41. The basis of his demand for reform was that the character of building societies is changing and that the new conditions require alterations of moment in accounting and audit procedure. Perhaps the adoption of these suggestions would suffice to prevent the entry into the movement of some of those wishing to speed up the rate of change, but the question remains how far a really major alteration in character could be reconciled with existing privileges.

#### Collective Advertising by Solicitors?

ACCOUNTANTS WILL HAVE read with more than a passing interest the news, given by the President of the Law Society, Sir Sydney Littlewood, at its recent annual conference, that the Society is to seek the opinion of its members on the desirability of advertising the services of solicitors. The proposal the solicitors are to consider naturally does not envisage individual advertising by particular solicitors—it is that the Law Society

might use the arts of modern publicity to tell the public just what solicitors can do for them. The view is that the public, or substantial sections of it, have no very clear view at the moment. Sir Sydney referred to competition from the banks and insurance offices, supported by advertising. He referred also to competition from other professions, though here he was not, of course, able to complain about any advertising, collective or individual.

Accountants will certainly watch for the outcome of the proposal.

#### National Service Deferment

NEW REGULATIONS ON deferment of National Service, now in operation, necessitate some amendment of paragraph (g) on pages 36 and 37 of the edition covering next month's examinations of the booklet *General Information and Syllabus of Examinations* issued by the Institute of Chartered Accountants in England and Wales. It is an overriding rule that no one will be allowed to escape liability for National Service, and deferment will not be granted to anyone to begin a course of training which cannot be completed before his twenty-sixth birthday, if this occurs before January 1, 1961. For the rest, deferment will depend largely on the date of completion of articles, the dates of eligibility to sit the final examination and of the actual passing of the intermediate, and the relation of these dates to one another.

Thus the amended paragraph (g) (i) provides that an articled clerk who has not passed the Intermediate by the completion of four years of his articles will be permitted to finish his articles only if these end before July 1, 1960. He will be liable to call-up immediately his articles expire. If they expire after June 30, 1960, he will be called up as soon as it is known that he has not passed his Intermediate within the period prescribed. The former bye-law candidate of the Society who continues his qualifying service not under articles and has not passed his Intermediate by the completion of four years' service will also be liable to be called up immediately his failure to pass the Intermediate is known.

Paragraph (g) (ii) covers those who have passed their Intermediate but require deferment for their Final Examination. Articled clerks (other than former articled clerks or bye-law candidates of the Society) whose articles expired before they first became eligible to take their Final in May, 1959, or earlier may have deferment for a maximum period of six and a half years from the date of entry into articles to sit the Final examination of the Institute in November, 1959 (and, if required, May, 1960), but in no case will deferment be granted beyond the latter date. Regulations of equivalent effect apply to those former articled clerks of the Society whose eligibility is as described above; former bye-law candidates so eligible, whether serving articles as a result of integration or continuing qualifying service, will be granted deferment, if necessary, for a maximum period of seven years, always provided that deferment cannot extend beyond the May, 1960, examination.

Any candidate who is first eligible in May or November of this year or next to sit the Institute Final examination or to complete the Society Final, if he can take the examination before the expiration of his period of service, may claim deferment for one period of six months and if necessary a second period, making a possible deferment for those first eligible in November, 1960, to that month in 1961. If the examination can first be taken after expiration of service, and the first date is May, 1959, the candidate is governed by the regulations set out in the preceding paragraph under (g) (ii). If the date of first sitting is later he is granted deferment of one six months' period only with a final date of May, 1961, for those first sitting in November, 1960. If a candidate does not sit for the first Final for which he is eligible he will be regarded, for purposes of deferment, as having failed the examination.

The cases of former articled clerks or bye-law candidates of the Society who pass their Intermediate within the prescribed period of four years and have elected to continue their

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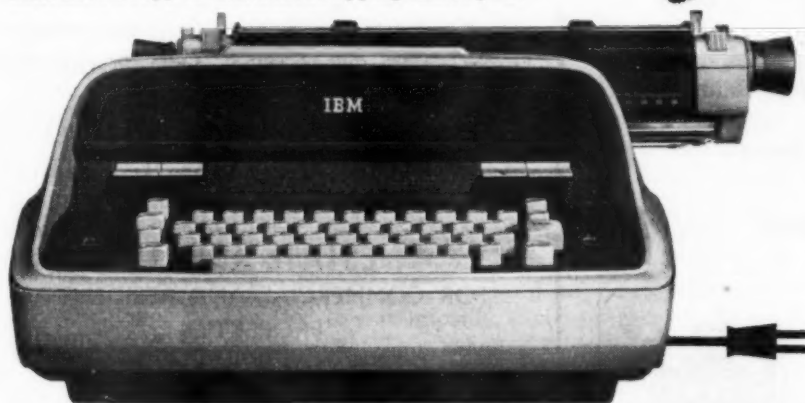
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A copy of the revised regulations may be obtained on application to the Institute.

#### Finances of the Church of England

THE STATISTICAL UNIT set up in 1955 by the Central Board of Finance of the Church of England has now assembled—for the first time in one volume—a mass of material on all the main facets of the Church's organisation and activities. This is set out in forty-six tables and ten diagrams, of which six tables and two diagrams concern finance. Table 41 analyses total parochial expenditure over the period 1906 to 1956 in the forty-three dioceses of the Provinces of Canterbury and York. Over the half-century total outlays rose from £5,372,000 to £17,281,000. But the value of the pound in 1956 is taken as only 4s. 2d. in terms of 1906 money, so that the real value of outlays fell by 32½ per cent. These figures include extraordinary and capital expenditure, but the fall is some 35 per cent., excluding these. On the basis of the larger total, the proportion devoted to parochial purposes rose from 53.4 to 58.7 per cent. over the period. On the same basis the part devoted to diocesan purposes rose from 2.2 to 7.4 per cent., with a resultant fall of 12.3 points in the percentage devoted to other non-parochial purposes. Of this the bulk is accounted for by a drop from 9.1 to 1.2 per cent. in general charitable objects, while overseas missions received less than half the 1906 figure at 3.1 per cent., and home missions and central church societies also suffered. It is calculated that the average annual contribution to parochial expenditure per Easter communicant rose from £2 14s. 7d. to £7 7s. 2d. over the period, but the former sum was worth £13 2s. in 1956 money. On that basis their contribution to overseas missions fell from 17s. 2d. to 4s. 7d. in the half-century.

Some of the financial figures have already appeared in this year's official Year Book, and it must suffice

to say that large tables collate by diocese the income and expenditure of the 14,263 parochial bodies in the two provinces for the year 1956, giving standards of voluntary contributions. Something more can be said of the sums which the parishes are asked to send annually to the diocese. These are grouped under twenty ranges of amounts. In the year 1957 the total number of parishes assessed at under £10 each was 771, while the greatest concentration of assessments was in the groups £25 to £49 and £50 to £99, where the figures were 3,287 and 3,636 respectively. In the Province of Canterbury the number in the higher assessment was slightly below that in the lower at 2,520, whereas in that of York no less than 1,116 paid the higher assessment against only 724 in the lower. In the six groups paying £700 or more there were only twenty-one assessments, all in the southern Province, of which eight were paid by parishes in the London diocese and six in that of Worcester. The average quota was £85 but ninety-two paid more than £500. A further table gives, *inter alia*, the apportionment in 1959 of £230,000 from the Church Assembly Fund and of £300,000 from the central fund for ordination candidates. The actual amounts range from only £1,030 for the diocese of Sodor and Man to £32,650 for that of London. This apportionment is based on a somewhat complex formula, which is the arithmetical average of (i) the number of Easter communicants in the diocese in 1956—the latest figure available—and (ii) the sum of three items, voluntary contributions in 1956, half the income from benefice endowments up to £700 in 1957, and half the parochial endowment income in 1956; from which sum is deducted 10s. per head of the Easter communicants, taken in under (i) above. This calculation is held to give an index of financial ability, whereas (i) gives some guide to the number of people concerned. While attention has been focused here on the financial side of the publication, it is by no means the section of the widest interest, nor is it the most complete in that it gives no information on

what might be called the capital account of the Church of England. No promise appears to be made in this respect but on the human side, particularly as regards wastage of the total force of clergymen, further inquiry is to be made.

#### Guidance for Students' Societies

THE COUNCIL OF the Institute has issued a new pamphlet, *The Students' Society and the Articled Clerk*, designed primarily for the guidance of committees of the chartered accountant students' societies and for the information of committees of district societies and branches. This publication, which is reproduced verbatim on pages 567–9 of this issue, replaces the statement "The Place of the Students' Societies in the Education of Articled Clerks" issued by the Council in August, 1951. It is a mark of the importance which the Council attributes to the matter for all members—and in particular for practising members—that the full text will be included in due course in the *Members' Handbook*.

#### The Country Head Office

THE PROBLEM OF decentralisation of office accommodation has been brought into prominence once more by a paper on "Problems of Location" delivered by Mr. D. B. Tregoning, M.A., A.C.I.I., at the annual conference of the Chartered Insurance Institute. The paper dealt with the establishment of regional offices as well as with decentralisation of head office activities from London, but the latter question is of wider interest as being applicable to any body which finds its problems of accommodation or of staffing at the centre growing difficult. The basic reason for the transfer of all or part of a head office from London lies in the fact that the provision of additional room costs only some £1,000 per head of personnel in the country against £2,000 to £2,500 at the centre. It will depend largely on the location of the new office whether it is cheaper in terms of actual rates of salary in the country than in London, but it seems from this paper and from that read by Mr. P. R. Cahill, of

the Legal and General Assurance Society, to the Town and Country Planning Association in July, 1958, that time-keeping and attendance records are better in the country, while high-class female labour is also more abundant. As against this, specialists may be more difficult to find. As to other costs, rates and upkeep are likely to be lower outside the centre. While it will probably always be necessary to have some elements of any member of the financial community in close contact with the "square mile" of the City, the development of telecommunications has already done much to render distance immaterial for many activities and will, presumably, do more. Thus, one might suppose that a firm starting from scratch would find the country, or a new town, more attractive than the centre.

But, of course, this is not the normal problem. One has in most cases to face the planning of new accommodation to replace the old and familiar and, more difficult perhaps, to see to it that similar adjustments are rendered easy for at least a very substantial proportion of the staff. Further, Mr. Cahill found that many members of the staff, especially the younger members, faced the difficulties of travel into and out of London, when they could have found work locally, because they preferred to be in London. This may mean that the firm wishing to move out must be careful to select an area in which there will be a local labour supply, and may face some considerable changes in personnel.

Actually Mr. Cahill's company moved during the war and has successfully established a country staff of some 700, working in complete integration with the London head office. Mr. Tregoning, envisaging the more difficult conditions of the present day, reaches the conclusion that the country office plan is quite possible of execution and has much to recommend it. He also believes that pressure within the centre will render emigration more usual. It represents an attempt, not altogether unsuccessful, to have the best of both worlds and it is difficult to believe that, once the move is

faced and adjustment completed, it will not mean a more healthy and competent staff. Unfortunately, he is unable to hold out any hope that the policy will achieve a positive reduction in the congestion of London, for any accommodation left vacant will immediately be seized, in his view, by some new claimant to a site nearer to the Bank of England.

#### **Insurance on Outstanding Book Debts**

THE ORDINARY LOSS of profit policy pays for loss of profit on goods not sold following a fire (or other insured peril). Loss from the non-payment of debts on goods that have been sold before the damage occurred is not covered by the ordinary policy. Cover can be secured, however, by a separate insurance: an indemnity will then be obtained if there is failure to collect outstanding debts due to destruction of the records.

This comparatively new type of insurance has come into prominence recently on the easing of credit facilities and the lifting of hire purchase controls. It is a particularly valuable cover for the business maintaining no duplicate records.

The insured business is required to render (perhaps through its auditors) monthly declarations of amounts outstanding during the currency of the insurance. The amount outstanding at the date of the damage, which is taken as the last declared figure, is arrived at by adjusting the last declaration by an allowance aimed to take account of sums debited since the last declaration and up to the date of the damage. An adjustment is made for estimated bad debts, since they would not be paid whether the records were destroyed or not.

In the event of destruction of the records, the policy pays the difference between the amount outstanding at the date of damage and the amount actually received within a specified time limit, usually two years. The rate of premium is normally one-half of the fire rate for the building in which the records are kept, but concessions are made if any duplicate records (including bankers' orders) are maintained or if the records are

kept in fireproof safes when not in use. The premium is calculated on the average amount declared during the year, and a return premium, usually not exceeding 50 per cent. of the premium paid, is allowed for any overinsurance.

This variant of the loss of profit insurance is not welcomed by all insurance offices and underwriters, because of the obvious moral risks, both from a dishonest insured and from dishonest customers who, knowing that insurance was in force, might be tempted to evade payment of a debt to the business whose records have been destroyed. Proposals for insurance are therefore carefully scrutinised, but a well-run business maintaining efficient records with a good class of customers should have no difficulty in securing cover.

#### **Trade Marks and Phonetics**

IN *Electrix Ltd. v. Electrolux Ltd.* [1959] 3 W.L.R. 170, the appellants had applied for the registration as a trade mark of the single word "Electrix." The application was opposed by the respondents but was granted by the Assistant Comptroller, whose decision was affirmed on appeal by Wynn-Parry, J. The respondents appealed to the Court of Appeal, which unanimously reversed the decision of the learned Judge. The Court stated the proposition or doctrine of law to be followed in these terms: "If a given word is for any reason unregistrable in its proper spelling, then, inasmuch as trade marks appeal to the ear as well as to the eye, the objection (whatever it may be) to the registration of the properly spelt word applies equally to a word which is merely its phonetic equivalent."

Applying that view of the law to the facts of the case, the Court held that, "electrix" being the phonetic equivalent of "electrics" and that word being unregistrable, "electrix" also was unregistrable.

In *Re Edward Ripley and Sons' Application* (1898) 15 R.P.C. 151, the question was whether the word "Pirle" should be registered, the word being formed from the name "Ripley" with the omission of the "y". The application was refused on



the ground that the word was identical in sound with "Pearl," and that "Pearl" itself was not eligible for registration, being a term of commendation. Kekewich, J., upheld the refusal, and so did the Court of Appeal.

The House of Lords, approving the decision in *Ripley*, dismissed the appeal of *Electrix Ltd.* and said that the doctrine propounded by the Court of Appeal was accurately stated and supported by authority and reason.

#### Fellowships in the U.S.A.

"THE HARKNESS FELLOWSHIPS of the Commonwealth Fund" is the new and more appropriate title of an institution which has operated since 1925 under the name of the "Commonwealth Fund Fellowships." Thirty fellowships are offered in 1960 to candidates from the United Kingdom: these are under the patronage of Her Majesty the Queen. The intention is that Fellows shall spend the equivalent of two full academic years, that is twenty-one months, in the United States, but older Fellows on leave of absence from employment may be permitted to reduce this as low as twelve months. The Fellowship is a full-time occupation and other employment may not be taken during tenure. The emoluments cover full expenses of travel, residence and study during the period. Special allowances may be granted for those normally employed and to cover family obligations. There are no formal age limits, but younger candidates will be favoured provided they are equally eligible. From a substantial list of those eligible the section most commonly applicable to accountants who have not undertaken post-graduate study reads as follows:

Men and women with experience—not normally exceeding seven years—in the public service, the professions, the creative arts, journalism, branches of business or industry, or other comparable careers and vocations. Candidates should have a degree from a university in the United Kingdom, or the equivalent of a degree in qualifications conferred by professional bodies

or an attested level of professional accomplishment.

Selection for nomination to the Fund is in the sole direction of the Committee of Award, who will conduct interviews at Harkness House, London, in March, 1960. The chairman of the Committee is Sir Keith Murray, chairman of the University Grants Committee, and the members are leading figures in the universities, business, finance and manufacturing industry. Applications must be made to the Warden, Harkness House, Upper Brook Street, London, W.1, before December 1, 1959.

#### A New Look for Local Authority Mortgages?

PROPOSALS TO ENHANCE the standing of local authority mortgages in the eyes of insurance companies, trustee savings banks and building societies, as well as of the small investor, are being studied by London borough councils. The Lambeth Borough Council has referred to the Metropolitan Boroughs' Standing Joint Committee suggestions made by the Borough Treasurer, Mr. H. G. Echart, F.S.A.A. The changes envisaged would require Treasury approval for amendment of the statutory rules which govern local authority borrowing.

Mr. Echart's suggestions are aimed at making local authority mortgages more popular. He argues that the name is unattractive, that there is no possibility of capital appreciation, that transferability is difficult, cumbersome and expensive, and that no concessions are given for payment of interest gross on small loans.

It is proposed that a mortgage should be re-christened "local loan," with the chance of its being termed "redeemable local loan." This latter change, it is suggested, would be achieved by having a form of mortgage for an agreed term permitting the lender to recall his capital at his own option. There would then be the following terms: (i) if the rate of interest at the time of redemption (as measured by some standard, for example, the Public Works Loan Board rate) were less than at the time the loan was raised, the redemption would be at a premium of such an

amount that the local authority could borrow the same amount for the unexpired term without any detriment; (ii) if the rate of interest had increased since the time of borrowing the repayment would be at a discount, so as to place the local authority in precisely the same position as if the original loan had lasted for its full term; (iii) in both cases the lender requiring premature repayment would be called upon to pay the stamp duty on the new mortgage.

So far as capital appreciation is concerned, it is pointed out that stock and bonds issued under Local Acts can, with the consent of the Minister, be issued at a discount which gives some incentive to lenders looking for ultimate capital appreciation. If this right is given to local authorities which make a stock issue, why should it be denied to the moderate-sized authorities? Although there may not be much scope for capital appreciation solely by virtue of an issue at a discount, the possibilities are very much greater if the proposal for redeemability is adopted, particularly at a time of high interest rates.

Dealing with interest paid gross, Mr. Echart argues that, although tax liability would not be avoided, there is a good deal of appeal to people in the lower income groups in a security on whose interest they do not have to go to the bother of reclaiming tax deducted at source. A mortgage with such a concession up to £500 would add to its attractions for this type of lender.

How does this tie up with the recommendations of the Radcliffe Committee on the Working of the Monetary System? One proposal put forward by that committee was that the Exchequer should stand ready to provide long-term capital through the Public Works Loan Board at the current gilt-edged rate (at time of borrowing) to any local authority which is not able or does not want to raise money in the market at a comparable rate on its own credit. All very fine, says Mr. Echart, but there is no certainty that the proposal will be adopted. And, in any case, delay is inevitable.

### The Institute of Internal Auditors

SINCE INTERNAL AUDITING is basically a control concerned with the examination and appraisal of other controls, the big changes which are taking place in industry put out a challenge to internal auditors to keep abreast of the new conditions. So said Mr. G. W. Moyse, A.C.A., in his statement to the annual general meeting of the London Chapter of the Institute of Internal Auditors, on being elected President for the ensuing year. Many amalgamations were taking place in all classes of industries. Automation and electronic methods were coming in, and bringing their problems. These developments made necessary new techniques and more controls.

The Institute of Internal Auditors, said Mr. Moyse, provided, through its publications, its Chapter meetings and its conferences, a ready-made fund of knowledge and experience upon which all members could draw and to which they could contribute, to help in meeting the challenge now presented to internal auditors.

The first Regional Conference to be held in the United Kingdom is to take place in Blackpool in May, 1960, Mr. Moyse announced. It will be sponsored by the London and Manchester Chapters. The enthusiasm with which the negotiations were proceeding indicated that Regional Conferences would in future be recurrent.

### Australian Government Accounts and Statistics

EARLIER THIS YEAR, the Treasury of the Commonwealth of Australia published an attractive illustrated brochure, *Electronics Help Speed the Nation's Business*, giving a brief description of the way in which up-to-date mechanical aids are being used by the Commonwealth Treasury and the Bureau of Census and Statistics "to get out to the Government and to the public faster, cheaper and more accurate digests of financial, economic and social facts."

The foundation of the system is a very comprehensive eighty-column punched-card installation, described as the largest in the Southern Hemisphere. Frequently the analysis of a selected sample of any statistics

will give a sufficiently accurate picture of the whole, but the brochure makes the point that the highly scientific techniques that may be involved raise acute mathematical problems. It is stated that the newly-installed electronic computer will solve these problems, and will open the way for extended reliance upon sampling in new fields as well as in existing ones. Another immediate use for the computer lies in using its facilities for storing information to carry out, in one run of the cards, operations which would require a number of runs through ordinary sorters and tabulators.

The first "accounting" task carried out by the installation was pay-rolling, but the availability of teletype equipment and tape-to-card converters has made other important applications possible.

At the end of each month the Northern Territory, the six States and the overseas centres have each to give particulars of the month's transactions, under about 1,000 heads, to the Treasury in Canberra, where the transactions under each head are amalgamated and published, with cumulative figures to date. Formerly the information was transmitted in the form of a summary ledger and trial balance, and called for a vast amount of clerical work in preparation, as well as in amalgamating at Canberra. Now, as particulars of a month's transactions are typed out at a Sub-Treasury, the information is simultaneously recorded in code by holes punched in a paper tape. The tape is passed through a transmitter connected to Canberra, where it produces a copy of itself, from which eighty-column cards are automatically punched. Amalgamation takes place on the computer, and occupies only five working hours.

Tape also simplifies accounting for expenditure. As particulars of the cheques to be drawn are typed in sequence on sheets (which in effect become the payments cash book) two perforated tapes are produced. From one tape, the cheques themselves are automatically printed (apparently on punched-card stock, as they are "pre-punched with serial number for reconciliation").

From the other tape eighty-column cards are automatically punched for ledger analysis.

It is recognised that installations of this advanced type create a growing need for highly-trained specialists, and the Bureau has recently instituted an interesting cadetship scheme. Students selected will be given a study course at Canberra University College, specialising in statistics, mathematics and economics, coupled with practical work in the Bureau.

### With What Motive?

FEWER AND FEWER people are nowadays prepared to dismiss market research as a quackish exercise in imponderables. The results are there, and solid enough to convince most people that no matter how lunatic the fringe of the new technique may be, its heart is in the right place. The same cannot yet be said of motivation research; the name and the technique alike provoke great heat under many collars.

The accountant who takes time off to see that pleasant film *Ask Any Girl* can study motivation research as it is practised by David Niven. He will find Mr. Niven a little different from the textbook practitioners, and if he read *The Hidden Persuaders*,\* in which a couple of years ago Mr. Vance Packard sought to make our flesh creep on this very subject, he will think the divagation no bad thing. But there are also other books about motivation research, notably the excellent one which Mr. Harry Henry published last year.† The most enthusiastic advocate of motivation research could not deny the extent or the lunacy of its lunatic fringe—Mr. Henry certainly did not—but the usefulness of the technique when it is used intelligently is plain enough. For all it purports to do is to discover with the use of modern psychology why we act as we do, the answer seldom being the simple one we would give if asked a direct question; knowing the truth, the advertiser can act accordingly. The advertiser—or, as the prophets of woe point out, the

\**The Hidden Persuaders*. Vance Packard, Longmans, 1957. 18/-.

†*Motivation Research*. Harry Henry, Crosby Lockwood, 1958. 30/-.



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politician: motivation research smooths the path to Orwell's 1984. Well, maybe; but there have been salesmen—and dictators—through the ages who by instinct knew why we act as we do, and profited from the knowledge. Motivation research systematises what they did by instinct and (sometimes) does it more efficiently. It can be a useful tool; and if man had forsworn every useful tool he ever invented because, misused, it might be lethal we should never have graduated even to caves, from the trees.

As accountants take their increasing part in management they are properly interested in even the peripheral techniques with which management is served. They can find a great deal of interest in this particular technique, both in the horrid warnings and in the sober studies of the odd way we all behave. The most cursory study shows how ingenious it can be—and how dependent upon the intelligence and the integrity of the practitioner. There are obvious possibilities of grave abuse in the use to which its results can be put, as there are on a larger scale in atomic energy, but in itself it is neutral; and accountants are probably better fitted than many to sift the grain from the chaff.

## Shorter Notes

### Standardisation of Payroll Forms

At a special general meeting of the Institute of Chartered Accountants of Scotland, held in Glasgow on September 18, the President, Mr. Thomas Lister, announced a further development arising out of a suggestion made at the course on electronic data processing held at Troon last April. It was there decided that if small and middle-sized concerns were to use electronic computers it must be through the medium of an E.D.P. service centre, and that one obstacle in the way of this practice lay in the great diversity of payroll procedures and forms. The council of the Scottish Institute has now set up a special committee to consider whether any recommendations can be made which would

help towards a standardisation of these forms and procedures. If they are successful in their effort to do so, it will confer a very material benefit on the businesses concerned.

### National Chamber of Trade

Mr. Harry Austral Ryley, F.C.A., a partner in Pinner, Ryley and Co., Chartered Accountants, Smethwick, has been nominated for election to the Presidency of the National Chamber of Trade in April next, in succession to Mr. Leonard Bloomfield, O.B.E. Mr. Ryley, who is President and past secretary of the Smethwick Chamber of Trade, was nominated to the National Chamber by the West Midlands Area Council in 1954 and is at present serving as a member of its Board of Management.

### Making the Best of Retirement

Accountants are perhaps more blessed than most people in that on their retirement they will continue certain activities, largely of a local character, which both keep them in touch with a wide range of people and prevent leisure from weighing too heavily upon them, as it does on some less fortunately placed. Nonetheless, they may be pleased to have an introduction to the Sundial Society, which consists of people in or near retirement and exists to enable them to obtain the maximum joy and purpose in leisure by sharing interests and giving service to others. The Society has established a number of groups of members interested in subjects such as the arts, social service and discussion, and issues *The Sundial Magazine*, published bi-monthly, to keep all its members in touch. The possibility of a pioneer course on preparation for retirement has been discussed with Mr. H. A. Jones, Principal of the City Literary Institute, and it is felt that retired accountants might contribute some useful ideas to this. Those interested in membership or in assistance from outside the organisation should communicate with the Hon. Secretary, Mr. D. Dixon, A.C.I.S., 76 St. Augustine's Avenue, South Croydon, Surrey.

### Tax Evasion Charge

At Bradford City Court on September 23, Louis Bernard Robinson, a director of Louis B. Robinson Ltd., worsted manufacturers, Bradford, and Albert Edward Taylor, his accountant, were jointly charged with conspiring together to defraud the Inland Revenue and with nine other charges of making false income tax returns, involving an alleged

loss of £41,268 to the Revenue. They were committed for trial to Leeds Assizes. Both pleaded not guilty and reserved their defence. They were allowed bail, Robinson being required as a condition to surrender his passport. It was stated that Robinson held most of the shares in the company, the other directors being his son Nigel and his wife, neither of whom had any idea there had been irregularities. The prosecution alleged that a total of £61,120 had been withdrawn, and concealed in the accounts by being recorded as purchases. The offences came to light when Taylor was ill and a junior clerk of Armitage and Norton, Chartered Accountants, of Leeds, reported his findings in the accounts to his superiors. The Inland Revenue made it clear that it made no charges against the firm of Armitage and Norton. Taylor had been employed by that firm for over forty years and had been senior audit clerk until his suspension in June, 1957, on the position becoming clear to them. In that capacity he had acted as secretary of Robinson's company on behalf of his employers, and was responsible for the final audit of the books. Robinson is said to have lost £75,000 in reckless gambling. Once apprised of the facts, Armitage and Norton informed the Inland Revenue.

### Accountants' Group for Medical Insurance

More than 700 subscribers, with their families, now obtain through the Accountants' Group of the British United Provident Association protection against heavy expenses for surgical operations and other specialist treatment necessitated by illness or accident. There is also an optional extension for private treatment by general practitioners. The Association is a non-profit making body, with no shareholders, and the governors receive no remuneration for their services. The President is the Rt. Hon. Viscount Nuffield, G.B.E., F.R.S. Most accountants in practice or in employment, and all grades of staff employed by practising qualified accountants, are invited to join the Accountants' Group on terms well below those available to individual subscribers to the Association. The invitation is not, however, addressed to those eligible to join a group scheme sponsored by a District Society of the Institute. The Hon. Group Organisers of the Accountants' Group are Messrs. Rose, Gluck & Co., 14 Queen Victoria Street, London, E.C.4.



## EDITORIAL

### Whither Investment Yields?

FOR some months before the election there had been a good deal of discussion whether those were correct who, seeing the fall in the yield on Ordinary shares and the rise in that of fixed interest, particularly the Funds, had enunciated the doctrine that the former figure could not fall below the latter except for a very short period. In fact it is possible to show by using the yield on  $3\frac{1}{2}$  per cent. War Loan that this state of affairs has existed for a substantial period already. Taking the more usual comparison, of Old Consols with the index of the *Financial Times* for Ordinary shares, the yield on the latter fell below that on the former some weeks ago and was some  $\frac{1}{2}$  per cent. below it shortly after the beginning of this month, while, following the election result, the margin widened to more than 14s. 6d. per cent. This happened in face of a modest recovery in the Funds on the Conservative victory and is to be attributed to a boom in equities which, in the amount of the rise and the wide spread of stocks covered, seems to have surpassed anything in recent experience. It is thus reasonable to discount a part of this very substantial margin as being a result of conditions which are likely to be transient, but one cannot dispose of the whole difference without examining the position and it is important both for the investor and for the finance of government capital outlays that one should be able to form some idea of what the future holds in store.

One may explain the pre-election set-up by saying that, rightly or wrongly, many investors feared that either party might permit some return to inflation but thought that this would be more probable, and its extent greater, under Labour than with a Conservative Government. Further, it was believed that Labour would gradually restore cheap money and would restrict dividends and capital profits, both net of tax. This explains why a rise in equity prices associated with a fall in fixed interest stocks was held to point to a Conservative success. While, under Labour, equities might continue to rise in face of new taxes, as a result of the combined effects of lower interest rates and fears of substantial inflation, one could not reconcile a fall in the Funds, except over a very short period, with a determined drive for cheap money. Now, not a few people fear that the Conservatives may slip into some degree of inflation in their search for full employment, but is it probable that it will be associated with cheap money in the near future? Or is it likely that inflation will be substantial—unless there is a drive to expand too rapidly?

What, then, are the chances of movements in the yields on Ordinary shares and Government stock, both absolutely and in relation to one another? People in this

country were very slow to realise either that they were living under inflation or just what effect that fact ought to have on both their own spending and their policy for investing their savings. It may be that they are being unduly tardy in recognising that a change has occurred. Thus, there is once again no very keen demand for fixed interest stocks, and the very moderate flow of offers of such securities has had the effect of raising slightly the rates paid over recent months, although the change on the year is almost negligible except, perhaps, in irredeemable stocks. The Conservative success, one of the main props of which is said to have been the determination of that party to ensure a reasonably stable value for sterling within and outside the country, was followed by only a very modest rally in fixed interest stocks and this rally has almost certainly been helped by the fact that the results upon the sterling exchange of rising rates in the United States have moderated. The lack of change in Government should tend to reassure foreign operators, while our own overseas account, and that of the rest of the sterling area, seems to be running much more favourably than is usual at this season.

We may well escape a rise in short-term rates, but the new Government will have to raise a lot of money for capital outlays and it is already the case that this is proving difficult through the open market. Some rise in rates may be necessary but nothing in the least startling is to be expected. That would defeat its own purpose. As to private finance, one would suppose that, if equity prices remain at these levels, all company money will be raised by rights issues until yields rise considerably. But the central and local governments must, if they are to avoid inflationary effects, raise money by the issue of stocks and bonds at fixed interest. So far as the yield margin is concerned changes in these two types of borrowing may offset one another.

The present very low level of yields on equities reflects in part the belief that industrial expansion will lead to higher dividends. The movement has been helped by foreign investment here, and this may well increase now the outlook is more certain. But the present low yields will persist only if the rise in profits is expected to be continuous. It is in this that lies the support for the argument that the minus margin is a transient phenomenon. However, the domestic investor—but certainly not the foreign one—has also bought as an inflation hedge and this buying will continue until the investing public is convinced that it can look for virtually stable money values over a period of many years. Until this happens it is not certain that fixed interest stocks, including the Funds, will regain their traditional status.



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The September issue of ACCOUNTANCY (pages 458-60) contained an article by Sir Oscar Hobson on the conclusions of the Radcliffe Report as they affect the Bank of England. We give below four further articles on various aspects of the report. Mr. H. G. Hodder deals with the general survey of monetary policy. Professor E. V. Morgan, an economist of the "liberal" school, considers the tangled questions of liquidity. Mr. H. C. Edey covers the important facets of the report dealing with industrial finance, and Mr. H. B. Rose assembles a great deal of material on a vital matter which has received too little attention: the credit given and taken between non-financial firms and changes in its pattern.

## The Radcliffe Report— I.—Monetary Policy Under Scrutiny

by H. G. Hodder

*Manager, Intelligence Department, National Provincial Bank, Limited*

MONETARY POLICY in the 1950's was evolved under pressure—pressure that was at times extreme. Faced with an exchange crisis or with the possibility of an inflationary movement getting out of hand, the authorities had to adopt unconventional means of restoring the situation. It goes without saying that the measures taken were restrictive in design: as such they could hardly be popular, either in a political or a commercial sense. Most of them came under criticism from one quarter or another and very few, if any, were sufficiently clear-cut in operation to enable their effectiveness to be judged.

Circumstances have now vastly changed: the emphasis today is on expansion, not restriction, and everyone will hope that it will long continue to be so. But it would be foolish to ignore the possibility that changes in either the pace or the direction of the economy may be necessary at times in the future. Thus, the publication of the Radcliffe Report, with its detailed examination of what was attempted and what was achieved by the monetary authorities in the 1950's could hardly have come at a more appropriate moment.

The Report deals, individually and collectively, with the weapons of credit control and it brings out very clearly what an unfavourable background the authorities had at first to operate against. At the time when monetary action was revived, not only was the economy in poor shape, but an aggressive use of monetary weapons was inhibited by the compulsions of debt management (in particular by a constant and very heavy flow of maturities of government paper) and by a banking system whose holdings of Treasury bills and short bonds put it beyond the reach of normal restrictive measures. In addition, both central and local government authorities were committed to large capital expenditures for housing and

other purposes, and the capital programmes of the newly nationalised industries were having to be financed by the sale of fresh government paper. These conditions were not propitious for harsh monetary measures and the authorities had no option but to proceed warily. They contented themselves with a modest beginning, the only novel feature being the "forced funding" of £1,000 million of Treasury bills.

Once the transition from passive to active monetary policy had been set in motion the authorities gradually found themselves with more elbow room in which to manoeuvre. But it was a long time before fiscal policy was in harmony with what the monetary authorities were attempting to do and the stage set for a concentrated frontal attack on the economic weaknesses that persisted. Space does not permit a detailed description of events as they unfolded, but by the end of 1957 the full armoury of restrictive weapons had been deployed and it may be useful to look at what the Radcliffe Committee has to say about them. Before dealing with them individually, it is worth noting that the authorities came to attach importance to a "package deal," whereby a number of restrictive measures are applied simultaneously. This has a psychological effect of considerable force, both at home and abroad, and might well cause business attitudes to change in just that marginal number of cases which, as the Report says, may be all that is required to correct the pressure of demand. A disadvantage of a "package deal" is that it is very difficult to decide whether each item in the package is making an effective contribution to the result.

Inevitably, monetary theory has been in the melting pot for some years. The Radcliffe Report, for understandable reasons, does not outline the basis on which it is likely to be reconstructed in the future, but it does go



into the question of liquidity in considerable detail. In particular it demonstrates the dwindling significance of the commercial banks' cash ratio and the importance that now has to be attached to their "liquidity" ratios, i.e. the ratio of their holdings of cash, call money and bills discounted to total deposits. The Committee recognises that the banks have for some time followed the practice of working to a liquidity ratio of 30 per cent. in March of each year (when their deposits are at a seasonally low ebb) and it recommends that what has hitherto been implicit should be made "absolutely explicit, though this need not be by statutory enactment or direction."

Bearing in mind the importance of the liquidity factor in the monetary system, the Committee feels that there may be occasions when the 30 per cent. liquidity rule ought to be supplemented by some further restraint. After examining various devices suggested, the Committee finds little to choose between them and inclines to the view that a straightforward power to raise the 30 per cent. liquidity requirement is to be preferred. But it is not in favour of discriminatory action against the banks; and due recognition is given to the fact that developments in the banking field over the past twelve months are in any case changing the picture: in particular, the relationship between advances and investments is undergoing a change. The possibility is not ruled out of an adjustment in the liquidity ratio to below 30 per cent. being warranted on occasion.

At this point it may be convenient to refer to what is perhaps the key conclusion of the Radcliffe Committee on the all-important question of what action should be taken when the normal methods of control need supplementing. Such a situation presupposes the identification of a dangerously inflated condition when extraordinary priority has to be given to safeguarding the value of money. Categorically rejecting any restriction of "the supply of money," the Committee advocates "measures to strike more directly and rapidly at the liquidity of spenders." It regards a combination of controls of capital issues, bank advances and consumer credit as being most likely to serve this purpose. At the same time, presumably, the interest rate weapon would need to be wielded more vigorously. All these forms of restriction have certain weaknesses in operation but when they are applied collectively they appear to gain in strength, and the Committee is satisfied that they would have substantial and quick effects.

That the Radcliffe Committee endorses so strongly the resort to control over capital issues, bank advances and consumer credit is a striking vindication of the emergency policy devised under pressure in the 1950's. But, while endorsing the general use of such controls, their application does not invariably meet with its approval.

In regard to the control of capital issues, the Report is particularly scathing about the ineffectual qualitative type exercised in the post-war period. It comes out strongly in favour of a more severe quantitative control whereby the authorities will fix a ceiling for all issues for the private sector to be allowed over a period of, say, three months. The desirability of drawing up a list of

priorities for some industries or groups of industries is recognised, but, once the ceiling has been reached, all applicants will have to wait until a new period starts or the control is relaxed on the ending of the emergency. Because the new form of control, if adopted, would be much more stringent and deliberately hurtful, it is recommended that applications should come under the explicit direction of a government Department and that reasons for rejections should be given.

Control of bank advances is, in the view of the Committee, imperative at a time of emergency: such a form of lending is too efficient to be left alone. Moreover, it is evident that the quantitative type of direction is contemplated. Whether or not, in fairness, this control should be extended to other lenders is discussed in the Report but no firm recommendations are made. It is clear that bank advances are singled out to take the brunt of an attack in any emergency action, but it is conceded that there may be longer periods, not amounting to emergencies, in which excessive liquidity persistently embarrasses the authorities. In such circumstances an extension of direct control over credit-giving to cover other groups of financial institutions besides the banks may be necessary.

The Committee's views on hire-purchase controls are interesting. Their advantage in securing a sizeable and rapid impact on total demand is recognised. But there are disadvantages. They are open to easy avoidance and the Committee shrinks from recommending any form of general control of trade credit, which appears to be the only logical way of stopping such avoidance. They have severe directional effects and their impact on certain light engineering industries, for example, could be especially harmful; while their effect quickly wears off. For these reasons the use of hire-purchase controls ought to be reserved for special action.

So much for emergency action. What should be the objectives of monetary policy under the more normal conditions that we trust will be the rule rather than the exception? Here the Report makes somewhat depressing reading, although it must be admitted that in the light of past experience the logic of the arguments is difficult to refute. In some telling sentences the limitations of monetary policy, by itself, are laid bare. The Committee sees no solution of the problem of influencing total demand in more vigorous movement of interest rates; it finds control of the supply of money to be no more than an important facet of debt management; it cannot recommend any substantial change in the rules under which the banks operate; it does not regard the capital issues control as useful in ordinary times; and it believes that there are narrow limits to the usefulness of hire-purchase controls. What then is left?

The Committee suggests that the authorities could make a more deliberate use of interest rates because the level of these is relevant to the working of the economic system and, although many effects of changes in them are slow to work, some effect comes fairly rapidly through liquidity disturbances created by these changes. The argument in favour of working upon the level of interest

rates through management of the National Debt is developed at length. But, the Committee concludes, "when all has been said on the possibility of monetary action and of its likely efficacy, our conclusion is that monetary measures cannot alone be relied upon to keep in nice balance an economy subject to major strains from both without and within. Monetary measures can help, but that is all."

The Committee's terms of reference did not permit it to evaluate the advantages and disadvantages of direct controls and fiscal measures or to consider how they might be used to supplement monetary action. These measures are briefly discussed (the control of building as a means of restraining demand meets with approval) but the verdict is in general terms and to the effect that the community has to make up its mind to use in combination,

and probably with changing degrees of emphasis, the three groups of measures, all of which have substantial disadvantages. One of the outstanding disadvantages of monetary measures is that the less objectionable they are in other respects the slower they are to achieve their effects. This disadvantage could be lessened, in the opinion of the Committee, if economic diagnosis—especially the problem of assessing the course of pressure of demand—could be prompter and more accurate.

Finally, it may be permissible to take one sentence of the Report out of context because it has so much relevance to what has occurred in the past and what could conceivably occur again: "We repeat that we can find no automatic rule for restricting a Government that is determined to spend."

## II.—The Rate of Interest

by Professor E. V. Morgan, M.A.

*Professor of Economics, University College of Swansea*

IN ITS ANALYSIS of the working of the monetary system the Radcliffe Report lays great emphasis on liquidity. It points out that monetary measures can work in two ways, which it calls the "interest incentive effect" and the "general liquidity effect" (paragraph 385).

The interest incentive effect is the direct impact of the rate of interest upon saving and investment. Here the Committee comes to the conclusion that the rate of interest has considerable importance as a long-term regulator but that, when quick results are needed, "only very limited reliance" can be placed on it. "More certainly, monetary action works upon total demand by altering the liquidity position of financial institutions, and of firms and people desiring to spend on real resources" (paragraph 397). This does not, however, mean that the rate of interest is unimportant. Rather paradoxically the report, after playing down its direct impact, reinstates it as "the centrepiece of monetary policy" because of its relationship to liquidity.

All this makes it very important to know just what is meant by "liquidity" and what is the relationship between the liquidity of the economy, the general level of interest rates and the "pattern" of rates for different types of security. Unfortunately these are matters on which it is very difficult to find out precisely where the Committee

stands, chiefly because the report never defines liquidity, and appears to be using the word in several different senses.

### Banking and non-banking liquidity

In a purely banking context, liquidity has, of course, become a technical term. The clearing banks regard their cash, call money and bills as "liquid assets"; the ratio of these three assets to deposits is commonly called the "liquidity ratio"; and in recent years it has been fixed by custom, reinforced by an informal understanding with the Bank of England, at not less than 30 per cent. Here the meaning of liquidity is perfectly precise, but it is defined by a rather arbitrary convention. For example, 3 per cent. War Loan 1955-59 is now (October, 1959) repayable earlier than some of the Treasury bills held by the banks, but it is not a "liquid" asset.

This technical meaning of liquidity is very important for the banking system, but it has no real importance outside. The more common use of the word is, of course, to describe an asset that can be turned into cash quickly and without risk of loss. In this sense, liquidity could be defined as "quick convertibility into any other asset, and immunity from fluctuations in capital value reckoned in the unit of account." According to such a definition,



money is perfectly liquid, and some other assets, including savings bank deposits, Treasury bills and very short-dated government securities, are almost perfectly liquid. On the other hand, Ordinary shares and real property are very illiquid, and we can move up and down the scale by almost imperceptible degrees.

Liquidity in this sense is important for the whole economy, for financial institutions, for concerns in industry and trade, and for private individuals. Very few institutions, apart from the banks, are bound by rigid conventions, but all have standards of prudence which make them want to hold a certain amount of their assets in a fairly liquid form. Hence, the availability of liquid assets is an influence both on lending and on spending.

#### **Willingness to lend**

Lenders, at least when making loans to the private sector, normally decrease their liquidity, either by exchanging a liquid asset for a less liquid one or by acquiring simultaneously a quick liability and a longer-term asset. Examples of the first kind would be a bank reducing its investments and adding to its advances, an insurance company selling short-dated gilt-edged and making mortgage loans, and a private individual exchanging a bank deposit for an I.O.U. In the second category would be a building society or a hire purchase finance company accepting deposits and lending the money in the course of its business: the lenders naturally take the precaution of re-lending something less than they receive and keeping a reserve in highly liquid assets. In general, however, the greater the proportion of their assets that are in liquid form, the more willing will lenders be to reduce their liquidity by making loans to the private sector of the economy, and anything which affects their liquidity affects their willingness to lend.

The Radcliffe Committee regards this point as of great importance. For example, after discussing the direct effect of the rate of interest, it continues, "the monetary authorities may bring to bear another influence which can be altogether more peremptory. This is the availability of funds to borrowers through particular channels. An interest charge will be one of a number of factors to be weighed in the balance when an investment decision is being made, and even a sharp change in this item may easily be obscured by other factors; but if the money for financing the project cannot be got on any tolerable terms at all, that is the end of the matter" (paragraph 387).

Chapter IV of the report gives an excellent description of the various types of financial institutions, the assets which they hold, and the attitudes to liquidity that each has developed to fit its own particular needs. It also emphasises the essential unity of the market for loans despite the variety of lenders and types of borrowing. If there is unwanted liquidity in one part of the system and an unsatisfied desire for loans in another, then the two will eventually come together even though it is by devious ways. Hence the report concludes that restrictions on particular types of lending—for example, bank advances or hire-purchase—though they may be useful in an emergency, are temporary in their effect. A continuous control

can be exercised only through measures which affect the liquidity of the whole system.

#### **Amount of spending**

The total amount of spending in the economy will obviously be reduced if some would-be borrowers are unable to get loans, but spending can be financed by the realisation of financial assets as well as by borrowing. It is probable that the desire to spend, both of businesses for investment and of consumers for durable goods, is to some extent influenced by the liquidity of their assets. It is certain that the liquidity position makes a big difference to the power of the authorities to control spending. If assets are held in a highly liquid form, no monetary measures can impose any great penalty on their realisation. If they are held in an illiquid form, a rise in interest rates brings a fall in capital values which imposes a substantial penalty on immediate realisation, and offers a strong incentive to delay realisation and to postpone spending.

#### **Recent changes in liquidity**

The report points out that in the early post-war years both persons and companies held a very high proportion of their assets in a liquid form, and that this made monetary control extremely difficult. During the present decade, however, rising prices and expanding production have greatly reduced effective liquidity. Figures are given for personal liquid assets as a proportion of disposable income, showing a rise from 42 per cent. in 1938 to 63 per cent. in 1946, and a fall to 46 per cent. in 1957 (paragraph 478). For companies there has been a fall in liquid assets not only in relation to turnover but also absolutely. Figures for quoted companies show a decline in liquid assets (cash, tax reserve certificates and marketable securities), less quick liabilities, of no less than £476 million from 1954 to 1957.

#### **Fluctuations in capital values**

There is also a third sense in which the report uses this awkward word, "liquidity." In the preceding paragraphs we have regarded the liability to fluctuations in capital value as the essential characteristic of an illiquid asset. There are sections of the report, however, where it appears that it is not the liability to fluctuations, but the actual fluctuations, that the Committee has in mind. For example, it states that, "if they could be uninhibited in their manipulation of interest rates the authorities would have powerful influence on the entire liquidity position" (paragraph 397). But it is capital values that are affected by the "manipulation" of interest rates, and there are other passages in the report in which a fall in capital values is treated as a reduction in liquidity. This usage is out of line with the usual one (at least among economists) and it seems better to keep the two things separate by speaking of a change in capital values when that is what we mean.

Whatever words we use, however, there is no denying the importance of the fact. No one likes to show a book loss, even though it may at times be the rational thing to



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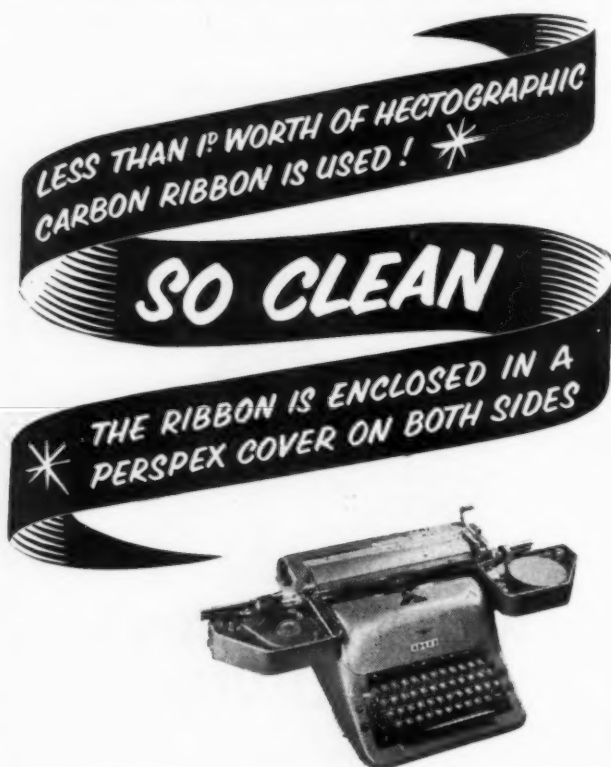
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do, and the depreciation of its government securities may well cause a financial institution to refrain from selling such securities, with a view to increasing its loans to the private sector. As we have seen, a fall in capital values can also restrain firms and individuals from selling in order to finance expenditure. On the other hand, a rise in capital values during a boom may be a significant stimulus to consumer spending; if one has made a "killing" on the stock exchange there is a strong temptation to spend at least a part of the gains. This last point, however, is not mentioned by the Committee.

#### Control of and through interest rates

The monetary authorities can "manipulate" interest rates because they can influence the supply of assets which form a very large part of the property of the private sector. Privately held public debt amounts to more than half of the "net worth" of the private sector, and government Departments hold several thousand millions of quoted public sector securities. It has long been accepted that the government, through the Bank of England and the Treasury, can control the supply of money (notes, coin and bank deposits) in the economy. Nowadays, however, as a result of the great increase in the volume of the public debt, the power of the authorities extends much further. By regulating the terms of the borrowing of the public sector, and by switching Departmental holdings from one type of debt to another, they can act on the supply to the general public of all the types of security that make up the public debt. One of the important things which the Committee has done is to draw attention to the extent of this power, and to emphasise that modern monetary policy should not confine itself to the supply of money but should extend, through the management of the public debt, to the supply of gilt-edged securities of varying dates of maturity. In general, the Committee foresees a higher long-term rate of interest than that which most of us have been accustomed to regard as likely to hold in future.

By operation in this way, the authorities can regulate both the general level of rates and the pattern of rates for assets of varying maturity. Suppose, for example, that they wish to check spending. They can sell quoted stocks, of any date that suits them, and take up Treasury bills; at the same time, the Bank of England would probably take action in the money market to raise the Treasury bill rate or at least to stop it from falling in face of the reduced supply of bills. Thus, the supply of highly liquid assets to the private sector would be reduced, and the supply of relatively illiquid assets would be increased; the price of the latter would, of course, fall and their yield would rise. This, in turn, would depress the capital values of other assets. The sequence of events (in our terminology) is that a reduction in liquidity brings a rise in interest rates and a fall in capital values. Institutions may be inhibited in their lending, either directly through a shortage of liquid assets (notably in the case of the banks) or indirectly through a fall in capital values. The fall in capital values also discourages spenders from realising financial assets, and all

these effects reinforce the direct impact of higher interest rates in raising the cost of borrowing.

#### Little guidance for future

Such is the inter-connection between interest rates and liquidity which the Radcliffe Committee sees as the centrepiece of monetary policy. In conclusion it is only fair to point out that the Committee gives no very clear guidance as to the amount of reliance that can be placed on these new-style monetary measures. In places, particularly when setting out its theoretical blueprint of how the system works, the Committee speaks of control over liquidity as if it were a really powerful instrument even for producing quite short-run effects on total demand. In its review of the nineteen-fifties it concludes that monetary measures "failed to keep the system in smooth balance," but also draws attention to the special difficulties of the time, including the violence of adjustments forced upon us by external crises, and the excessive liquidity left over from the war. In looking to the future, the Committee is sure that monetary action will not be sufficient in itself; it will need to be supported by fiscal policy, direct controls or both, but the report carefully refrains from giving any proportions in which these three ingredients should be combined in a recipe for economic expansion without inflation.

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### III.—The Finance of Industry

by H. C. Edey, B.Com., A.C.A.,

*Reader in Accounting in the University of London*

MUCH OF THE Radcliffe Report relates to the economic control of the economy as a whole. From the point of view of industrial financing, perhaps the most significant parts of this section of the Report are those in which the Committee, while suggesting that long-term interest rates may well have to remain at a higher level than has been thought normal in recent years, argues strongly against the use of direct restrictions on lending and financing except in emergency or near-emergency conditions. It draws attention to the possibly harmful effects on certain sectors of industry of sudden restrictions in hire-purchase finance and makes it plain that in its view the activities of the Capital Issues Committee have been virtually useless. All this should be encouraging to industry.

The Committee does, however, devote one chapter to reviewing certain aspects of the financing mechanism from the point of view of its adequacy for the finance of small business, new inventions, agriculture, and the export trade. In the same chapter, in addition to making the detailed comments on the Capital Issues Committee already mentioned, it devotes some space to possible improvements in the technique of transfer of payments.

#### **Finance for small business**

The Committee is of the opinion that, in general, existing sources of finance for small business are adequate. The more important of these sources are insurance companies (mainly for mortgages and other fixed-interest or fixed-dividend finance, together with purchase-and-lease-back facilities); hire purchase (a small, but growing source, which may benefit from the Committee's views that Government restrictions on hire purchase should as far as possible be avoided); the banks; and the Industrial and Commercial Finance Corporation (I.C.F.C.), which may be regarded as an industrial investment bank owned, and to a large extent financed, by the Bank of England and the joint-stock banks.

The Committee emphasises particularly the important part played by the banks, which, though conventionally lenders of working capital at short term, are in fact—and this is perhaps not widely enough known—large-scale providers of medium and long-term finance.

But the fact that bank overdrafts are legally repayable on demand, even when there is an informal undertaking that they will be available for an extended period, may cause some businessmen to hesitate before availing themselves of this source of finance. The ultimate right to demand repayment is, of course, a safeguard to a banker

who finds that a borrower is getting into difficulties, and does not imply that the overdraft will be called in merely because the bank wishes to contract its loans as a whole. The Committee suggests, however, that bank managers could help industry by making their intention with respect to the currency of overdrafts plainer. It also recommends the wider use of the "term loan"—the loan for fixed periods, repayable by instalments or at a given date. This type of bank advance, common in the United States but unusual here, would probably be more costly in interest than an overdraft, but would give to a borrower an assurance of the continued availability of finance for which he might well be prepared to pay.

The I.C.F.C. makes an important marginal contribution to business financing where bank finance is unsuitable or not available and the amount to be raised is too small to make an appeal to the new issue market economical. Under normal conditions I.C.F.C. would expect to transact some £7m. or £8m. of net new business each year. This would represent advances (or share finance) in amounts up to about £200,000.

The Committee points out that this upper limit in the size of advances or participations, imposed on the I.C.F.C. by its banker owners, has not been changed since 1946 despite the substantial rise in prices; it recommends that it should be reviewed. If this hint is followed—and the surprising thing is that it should have been left to the Committee to suggest such an obvious step—this convenient and valuable source of finance may be available to those who wish to raise as much as £300,000 or £400,000 but who do not want to incur the expense of a full-scale public placing or issue. The I.C.F.C. will find it the easier to implement such a policy in that it has now been agreed by its shareholders that it shall be free to increase its resources by raising loan capital in the market.

#### **Finance of new inventions and technical innovation**

Finance for the exploitation of new inventions and technical innovation raises particular problems. By their nature such outlays not only involve higher risks than the average business venture, but their value is more difficult to appraise. Furthermore, they may often be made by small companies whose equities do not provide adequate cover for much loan finance. Yet on the other hand it is of great importance to the nation that production based on worthwhile developments should not be held up by lack of finance.



The Committee considers that, though the total amount of finance of this type needed by small companies may not be large, there is a gap in the existing facilities. This is not because there are no channels for the provision of the finance, but because of the disincentive to lend arising out of the special risks. It therefore recommends the creation of a body with Government backing that would guarantee, in return for a commission, a substantial proportion of such advances as were made by existing institutions to finance novel processes or the manufacture of new types of product. Such an institution would be able to make use of the extensive experience of the National Research and Development Corporation on problems of technical development. Its function would be limited to the giving of guarantees and, where required, the provision of technical advice.

#### **Agricultural credit**

The most important sources of credit for farmers, apart from private lenders, are the joint-stock banks and, after them, agricultural merchants and livestock dealers. There are also various subsidiary institutional sources, including the Agricultural Mortgage Corporation (like I.C.F.C., itself owned by the Bank of England and a number of joint stock banks), which provide long-term loans on mortgage security for farm purchase, general working capital and improvements; the Lands Improvement Company, which makes advances secured by terminable rent charges for agricultural improvements; and the insurance companies, which advance money secured by the mortgage of agricultural property. In addition certain types of direct government credit are available. In Scotland there is also the Scottish Agricultural Securities Corporation (a similar body to the A.M.C., set up by four Scottish banks). In Northern Ireland the Agricultural Loans Fund provides medium-term loans. The use of hire purchase facilities is also increasing.

The Committee finds no serious gap in the supply of finance for agriculture. It points out that, despite views to the contrary expressed by the Farmers' Unions, the reliance by farmers on merchants' credit has a "natural, important and proper part to play." This form of credit is highly convenient to farmers in that the arrangements are informal and, from the farmer's viewpoint, time-saving.

Where the farmer wishes to raise money on better interest terms or for longer periods than are available from merchants, he can have recourse to a bank. The Committee finds no evidence that the banks have refused loans to creditworthy farmers, and is satisfied that the limit to bank borrowing is set by the farmer's own reluctance to rely on the banks.

On the other hand, the Committee takes notice of the objection that bank credit is an unsuitable form of medium or long-term agricultural finance because overdrafts are subject to annual review and therefore to recall. This is essentially the same point as was mentioned above in connection with loans to small businesses, and the Committee's recommendation is the same: that the banks should be at pains to make their intentions clear; and that they should be prepared to make term loans

where a farmer wants a formal assurance that his loan will not be recalled before a given date and is prepared to pay the consequential higher interest charge which will be necessary to compensate the bank for extra risk—a charge which, unlike overdraft interest, will fall on the full amount of the loan, whether or not it has been drawn upon. The Committee also stresses the need for improving the farmer's understanding of what the banks can offer.

The farmer's organisations also put forward the view that interest charges on finance provided to farmers are too high, whatever the source. This, too, the Committee is unable to accept. The provision of credit to farmers at interest rates reduced by Government help, direct or indirect, can only be regarded as a form of subsidy to agriculture. There is no evidence that the cost of finance is higher to farmers than to other sections of the community, having due regard to the relative risks and administrative costs. If there is to be further subsidy to agriculture, the method of direct production grants is to be preferred, both in its effects and in making manifest the extent of the support being provided by the nation.

#### **Export credit**

A good deal of attention has recently been directed towards the finance of exports, especially of capital goods which may involve heavy expenditure over the construction period, after which the customer may want extended credit. An exporter has to bear the general commercial risks of refusal to accept goods ordered and of default in payment, together with the risks, peculiar to the export business, of political change and of adverse movements in exchange rates or of the imposition of exchange restriction.

The latter types of risks are by their nature not susceptible to cover by normal insurance facilities, and the Export Credit Guarantee Department, an agency of the Board of Trade, has long provided facilities for their cover. These take the form of guarantees of payment. The guarantee is given to the exporter or, in certain cases, his bank. Complete cover is not provided: the exporter is expected to bear some proportion of the risk (5 to 15 per cent., depending upon the circumstances) so that he retains an incentive to avoid loss. The business covered may be for short-term credit: up to six months on consumer goods, and on such capital goods as agricultural machinery, trucks and tractors up to three years from the date of the contract or of shipment. Guarantees up to five years are given on individual contracts for major capital goods; in these cases the E.C.G.D. is prepared to provide a full guarantee to a financing bank, commencing from acceptance of goods by the buyer, while retaining right of recourse against the exporter in respect of risks not covered by the guarantee.

Thus the E.C.G.D. does not directly provide finance but, by removing certain risks, makes it possible for the exporter to obtain finance that would not otherwise be available through normal channels. Normally such finance will be provided by a bank.

One of the criticisms of the E.C.G.D. made to the Committee relates to the Department's insistence on

"package deals" in business of the shorter-term category, whereby it refuses to cover only particular types of business or particular categories of risk. The Committee sees no good reason why guarantees should not be given (no doubt at rather higher premium rates) covering, for example, only risks of exchange transfer difficulties, leaving exporters to carry their own commercial risks or to insure these elsewhere.

The Committee finds no other valid criticisms of the shorter-term guarantee services. Criticisms of the medium-term guarantee service for capital goods, however, lead it to make a number of observations and recommendations.

Two of the criticisms had already been met before it reported, in that the Department had lowered the limit on the size of transaction qualifying for unconditional guarantee to bankers from £250,000 to £100,000, while the minimum proportion of the credits not covered by the guarantees had been reduced from 15 to 10 per cent.

The Department had also been criticised for insisting that overseas purchasers should not be informed when credit given to them had been guaranteed: the Committee considers this policy to be a mistake.

The most serious criticism, however, relates to the period of the guarantees in respect of sales of heavy, long-lived assets such as steel works and generating plant, at present limited to five years from the date of shipment or acceptance, as the case may be. It is argued that this restriction of the credit period is seriously hampering British industry which has to compete with overseas exporters able to offer better terms.

The Committee is not convinced that the existing facilities are inadequate. There would be obvious disadvantages in initiating a governmentally-backed, international, competitive race in credit facilities. Exports are made in order to acquire the ability to buy imports; there is no merit in selling goods unless they are paid for. Hence the guarantees given must be related to the risks involved. On the other hand, the Committee agrees that there is no particular reason to suppose that a limit of five years is the ideal period, and is glad to have the Treasury's confirmation that it does not regard "five years from shipment" as a hard and fast rule, to be adhered to in all circumstances.

The Committee does not appear to have distinguished sharply between the *default risk*, which depends partly upon political circumstances and the earning power of assets sold, and the *financial cost*, which is offset (except in times of balance of payments crisis) by the interest charged to the purchaser, either directly, or indirectly in the price. A ten-year period of credit might be quite reasonable if provided on a contract where the risk of default was very low; on other contracts no credit at all might be justified. Any financial restrictions that are considered necessary on export credit should surely be the subject of overall Treasury action, applying to all export contracts, whether guaranteed by the E.C.G.D. or not.

The Committee is in some doubt whether, if the period of export credits is generally extended, the existing

financial institutions will be well adapted to provide the finance. The period on guaranteed contracts (including the time between commencement of work and delivery) might, if above seven to eight years, be rather long for the banks and too short for the insurance companies. The Committee envisage the possibility that it may be desirable to set up an Export Finance Corporation as a Government agency, or a "semi-public" corporation like the I.C.F.C. It does not, however, recommend immediate action, and indeed it seems unlikely that normal market forces would not bring about the necessary adaptation, given the flexibility of the capital market (which is emphasised frequently in the Report).

### Giro System

The ease of transfer of payments from one person to another is of very great importance in an economy such as ours. Yet anyone who devotes thought to the subject must conclude that, despite the smooth efficiency of the banking system, there is much that is essentially clumsy and primitive in our money system. Even the business routine of cheque drawing and dispatch involves many repetitive operations for each separate payment. Yet the transfer of the majority of payments is—since it is in essence merely a matter of debiting A and crediting B in the books of the banking system as a whole—a book-keeping question. Indeed much of modern deposit banking is nothing more than applied book-keeping.

The Radcliffe Committee's comments on this matter are, therefore, of particular interest. The giro system is widely used on the Continent. Transfer takes place by a central accounting entry, debiting one person and crediting another—e.g. in the books of the post office—as the result of what is, in effect, a simple letter of request in a standard form, covering as many payments as desired and sent direct to the post office or bank operating the system. Such a system has the merit of simplicity and safety. It is only necessary to consider the risks at present involved in wage payment by cash to see the advantage of a payment transfer system that would make possible a reduction in the amounts of large cash withdrawals by firms.

The Committee recognises that certain limited facilities of this type already exist; but considers that improvements are possible. It recommends that unless existing institutions are prepared to make an early move to provide simple facilities for giro transfers for the population at large, the Government should investigate the case for the institution and operation of such a system by the Post Office.

The effectiveness of a giro system obviously depends partly on the number of persons who have accounts—one cannot transfer a balance to a person unless he has an open account in the system. This suggests (though the Committee does not say so) that perhaps the most profitable idea for consideration would be the setting up of a new central clearing organisation which could embrace, not only all the banks and private financial institutions that take deposits, but also the Post Office

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and the other savings banks. There would certainly be technical difficulties, but the electronic computer would resolve some of these. Those that remained would

certainly not be insuperable given the application of energy and intelligence, and it is to be hoped that the Committee's suggestion will bear fruit.

## IV.—Trade Credit

by H. B. Rose, B.Com.

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TRADE CREDIT, EXTENDED by one firm to another in the normal course of business, is a form of finance that has existed since time immemorial. Nevertheless surprisingly little published information is available regarding this channel of credit, which, like so many institutions that seem to work smoothly and unobtrusively, is often taken for granted in the modern world. In the Radcliffe Report, on the other hand, some importance is attached to the implications of trade credit for government policy.

In the first place, while we have tended to discuss the credit "squeeze" in terms mainly of bank credit, trade credit is, in fact, considerably larger than the outstanding volume of bank credit, and changes in the flow of trade credit may therefore be sufficiently important to outweigh changes in bank credit. The importance of this consideration lies in the fact that, whereas bank credit is within the direct control of the authorities, trade credit is not. Indeed, the extension of trade credit during the period in which bank loans were restricted through official directives was, as the Radcliffe Report states, a contributory factor to the weakness of official disinflationary policy.

Because of the ease with which trade credit can be expanded or contracted, it introduces an element of elasticity into the financial system of sufficient importance to frustrate, in some circumstances, the efforts of the government to reduce excess liquidity in other directions. That is to say, for example, a business which is unable to obtain sufficient finance from a bank or through the new issue market may be able, nevertheless, to finance an inflationary level of operations partly by obtaining finance in the form of trade credit by delaying payments to its suppliers. This extension of trade credit may take one or both of two forms. A larger *proportion* of goods may be obtained on credit terms, or the *period* of credit may be extended on any particular transaction. Both developments tend to occur in a boom.

Of course, the firm that is giving more trade credit than

it receives will need to command cash for this purpose, as it will have to continue to pay, in respect of the goods it produces, wages, salaries and other expenses where extended credit terms cannot be obtained. An extension of trade credit within the economy, as the Radcliffe Report points out, amounts to a redistribution of liquidity, whereby businesses that have spare cash in effect make it available to those which are short of it. This spare cash may have already been within the business sector in the first place, in the form of undistributed profits built up by successful firms over the past. Alternatively, it may be drawn into the business sector as a whole through various channels.

If there are no official restrictions on the supply of bank credit or on the flotation of new issues these are likely to be the usual sources of additional funds with which the increase in business turnover can be financed. However, even if official controls do operate, many firms are likely to possess a favoured status on account of the so-called nationally "essential" character of their business. The privileged position of these concerns with regard to bank and new issue finance will enable them to augment their liquidity with the approval of the authorities; however, it is impossible for official controls to prevent part of this liquidity from being passed on to businesses without the same "essential" status, via the medium of trade credit. This is what happened, to some extent, in the recent boom. Secondly, additional liquidity may become available to the business world at large if prices and thus profit margins can be raised, so that businesses obtain the use of money balances previously held by consumers.

Of course, if monetary policy succeeds in reducing the liquidity of the economy as a whole, businesses will become increasingly reluctant to extend further net credit beyond a certain point, as their outstanding current liabilities grow in relation to their holdings of liquid assets. However, the extent to which this inhibition will operate will depend very much on the state of business

confidence. The Radcliffe Report observes that if business expectations remain sanguine, a concern is likely to be confident of meeting its current liabilities out of accruing profits, out of finance drawn from the banking system or capital market, and, what is a critical question, from the discharge of debts owed to it by its customers. If this is so, businesses will be prepared to see a substantial shrinkage in the ratio of their liquid assets to current turnover or liabilities.

Generally speaking, fluctuations in trade credit reflect changes in turnover on the one hand and in the value of stocks and work in progress on the other, credit given moving with the first and credit received with the second. In our table, which has been taken from the Radcliffe Report, the comparison of these items is shown for the years up to the end of the recent boom.

Whilst generalisations such as these are useful, the Radcliffe Report concludes that much more statistical evidence is required about the impact of trade credit on different industries and different types of firm. The *net* credit given by quoted companies, as shown in our table, includes some hire-purchase and other credit extended to consumers; it probably also includes net credit to smaller businesses and retailers. Perhaps the bulk of it, however, consists of credit given by exporters. Changes in the latter, the Radcliffe Report observes, were one of the principal elements in the successive post-war balance of payments crises, for changes in short-term export credit, usually described as the "leads and lags" of international payments, may affect our exchange reserves seriously, if only temporarily.

It is noticeable that the published accounts of nearly every quoted manufacturing company show its trade debtors to exceed its trade creditors; that is to say, most manufacturing companies appear to be net givers of

trade credit. Who are the net takers, apart from our overseas customers?

Most retailing concerns are net takers of credit, for, hire-purchase apart, they do not, as a rule, give much credit to their own customers. The quoted company sector, it is highly probable, provides net credit to unquoted retailing companies in particular, but whether it does so for the unquoted company sector as a whole cannot be ascertained. Within the unquoted business sector as a whole sharp contrasts probably occur within the pattern of trade credit. Unquoted retailing and building companies are probably net receivers of trade credit and so, it can be guessed, are many unincorporated businesses, of which a high proportion are retailers. The unincorporated business—outside agriculture and the professions—often has insufficient assets to induce a bank to provide a substantial loan, and the quality of its management is often doubtful. Such remarks may also apply to the new business, whether incorporated or not. In general, the net receipt of trade credit plays a particularly important part in the case of trades into which entry is comparatively easy, at which many businesses operate at the margin of profitability except in times of vigorous boom; for new businesses, in particular, rely on trade credit if sufficient permanent capital is not available.

Within British industry there is a great variety of trade credit terms. In many industries terms are recommended or laid down by trade associations, and in others there is a recognisable "custom of the trade." In general discounts granted if payment is made within a stipulated period are less frequent in industries in which both parties are large concerns. In some instances where selling prices are fixed by agreement, the absence of cash discounts has been attributed to the fear that discounts might fill the place of price competition. Discounts are most frequent in trades where buyers and sellers are small firms, especially where retailers or builders are the buyers. A small firm will offer a prompt-payment discount on its sales in order to conserve liquidity, and a large firm supplying goods to small concerns will do so in order to reduce the overall risk of default. Wholesalers, merchants and raw material processors, whose working capital requirements are large, also offer cash discounts or request prompt payment, in some cases even when they and their customers are substantial concerns; their desire for prompt payment will be particularly strong when they wish to replenish stocks quickly in anticipation of rising prices.

However, the nearer one gets to transactions carried out between small businesses, the less clearly defined and more flexible do trade credit terms become. There is more adaptation to individual circumstances, including credit status, more bargaining, and more credit competition. In some cases long credit terms are made available in industries subject to seasonal factors that oblige businesses to lock up their capital for several months. Special credit on a sale-or-return basis may be given to distributors by manufacturers of consumer durable goods in the months prior to the Budget, in order to protect distributors against losses arising from a reduction in purchase tax. Barter is

Quoted Companies: Manufacturing, Building & Distribution

#### TRADE CREDIT AND STOCKS 1949-1957

|       | £m.  |  |                                  |   |   |
|-------|--|--|----------------------------------|---|---|
|       | <i>Outstanding net trade credit given by companies</i> | <i>Increase in net trade credit given by companies</i> | <i>Increase in trade debtors</i> | <i>Increase in liabilities to trade creditors</i> | <i>Increase in value of stocks and work in progress</i> |
| 1949  | 210  | 37   | 113                              | 76  | 134   |
| 1950  | 270  | 63   | 222                              | 159   | 286   |
| 1951  | 290  | 19   | 285                              | 266   | 655   |
| 1952  | 350  | 63   | 62                               | —1  | 23  |
| 1953  | 385  | 35   | 100                              | 65  | —12   |
| 1954* | 485  | 37   | 218                              | 181   | 225   |
| 1955  | 550  | 63   | 300                              | 237   | 372   |
| 1956  | 560  | 10   | 169                              | 159   | 343   |
| 1957  | 590  | 30   | 200                              | 170   | 240   |

(In 1954 "trade debtors" amounted to £2,120m. and "trade creditors" to £1,636m.)

\* From 1954 onwards "other creditors" and "other debtors" are excluded from the figures of trade creditors and trade debtors. The effect on the annual changes is small, but the total outstanding net trade credit given is increased by about £60m.



still practised in agriculture in some parts of the country; for example fertilisers and seeds will be supplied to farmers by distributors or their agents in return for a quantity of grain after the harvest, and at least one large manufacturer of fertilisers allows its agents up to three months' credit with a cash incentive.

On the whole cash discounts are rare in manufacturing industry, but they are known to exist within the following manufacturing trades, for example:

Building materials and fittings, paint, photographic materials, plastics and certain chemicals, fertilisers and feeding stuffs, food products, toilet preparations, light engineering products, boots and shoes, hosiery, brass products, cotton textile finishing,\* ironmongery, light electrical products, wool textiles.

Levels of discount offered for payment within different periods vary, as the following list of examples shows:

Building components— $3\frac{3}{4}$  per cent. for 7 days;  $2\frac{1}{2}$  per cent. for 1 month.

Woollens and worsteds— $3\frac{3}{4}$  per cent. for 10 days; 3 per cent. for middle of month following month of delivery.

Worsted cloth (isolated case)—5 per cent. for 7 days;  $3\frac{1}{2}$  per cent. for 10 days.

Hosiery—3 per cent. for 7 days;  $2\frac{1}{2}$  per cent. for 1 month.

Brass foundry products—3 per cent. for 1 month.

Certain chemicals— $1\frac{1}{4}$  per cent. for 1 month.

Edible fats—2d. in £1 for 7 days.

The most common discount appears to be  $2\frac{1}{2}$  per cent. for "1 month," which in practice may extend beyond this period. Where special rates are offered for payment within, say, 7 or 10 days, the rate of interest is usually extremely high when converted to an annual basis, reflecting the seller's assessment of the risk of a longer credit period and the cost of debt collection when a slow payer has to be pressed for payment. Regarded in isolation, the receipt of trade credit as an alternative to payment of discount terms of, say,  $2\frac{1}{2}$  per cent. for 1 month, the equivalent of 30 per cent. per annum, is an expensive form of finance. It is not clear just why more businesses do not as a matter of course make every effort to qualify for discount terms where offered, seeking finance through alternative and less costly channels.

Large discounts may be regarded as a substitute for price competition as well as a means of conserving liquidity. As a result, when weaker businesses are beginning to run short of cash, trade credit may in effect be *taken* rather than given. Payment for goods supplied may be delayed beyond the stipulated period without penalty, and cash discounts may even be deducted from payment even though credit terms have not been complied with. One consequence is that trade credit is more readily expanded than other forms of short-term finance during a boom, and businesses seem to make a much less stringent assessment of their customers' creditworthiness than do banks. As compared with the commercial bill the penalty for overdue payment, if any, is much less severe.

A commercial bill usually comes under close financial scrutiny, in one way or another, from which trade credit is for the most part exempt. As compared with finance by way of long-term capital there is a similar lack of constraint.

There is a very real risk, therefore, that trade credit may expand too easily during a boom. Business solvency becomes interdependent as cash resources in general are run down, for the ability of any one business to pay its bills may depend on the ability of its debtors to meet theirs. As long as businessmen in general remain confident as to the creditworthiness of their customers, the danger of a collapse of trade credit, in which businesses suddenly begin to press for payment of overdue or doubtful debts, may not be very great. In the most recent boom one support for business solvency was the stability of commodity prices, which reduced the danger of a chain of insolvency that may be the consequence of a sharp collapse in selling prices.

However, we cannot always rely on this, and if a sudden fall in commodity prices were to coincide with the more effective restriction of the supply of credit through the banks and the new issue market, a contraction of trade credit during a business recession could one day prove to be of startling seriousness.

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This article is a sequel to an earlier article published in this journal last year. The earlier successful attempt to put management accounting on to a computer has been followed up by putting similar procedures of another company on to a different make of computer, also on a service basis. This article gives a brief outline of some points of interest that emerged from the second programme.

## Management Accounting on Another Computer

by J. A. Goldsmith, M.A., A.C.A., A.C.W.A., and Eva J. Idelson, M.A.

IN THE EARLIER article\* a description was given of the problems encountered in getting a computer to do the "donkey work" of producing monthly accounting statements for management control purposes.

1. That article also explained the reasons that had prompted the decision to attempt to use an electronic computer, and briefly described a programme written for the National-Elliott 405.

2. A new programme has now been written to handle similar procedures on a Ferranti Pegasus computer. The opportunity of comparing very similar procedures, designed by the same programmer for two different computers, is unique, so that a short sequel to the earlier article might be of general interest.

### The First Programme

3. The programme described in the earlier articles was run monthly during the last quarter of 1958 with live data.

4. Then the 1959 budgets for the company were put on to the standing data film in place of the 1958 budgets, so that the routine could continue to be run regularly throughout the current year on a service basis. The monthly figures of actual hours and expenses are entered on special forms, which are posted to the computer centre, where the data is punched on to paper tape. This tape is then run on the computer and the results are posted back to the company concerned. Some difficulty has arisen in the completion of the data sheets correctly each month—partly because no person on the staff of the company is familiar with computer techniques. This difficulty has served to emphasise that even when a computer is being used on a service basis, there should be

one person always available who has some knowledge of the job and how the computer programme operates. Otherwise, however, the programme now operates smoothly.

### The New Programme

5. Following the completion of this first programme, it was decided to design a very similar procedure for another company, using its Ferranti Pegasus. The accounting procedures of this second company were similar to, but not identical with, those of the first. Naturally, the difference between the two computers necessitated a different organisation of the second programme. At the same time, it was possible to take advantage of the experience gained in writing the first programme in making one or two improvements in the second one.

### Differences in Accounting Procedures

6. There are three main points in which the accounting procedures for the second programme differ from the first:

- (a) A different method of handling the general works expenses is used.
- (b) An overtime variance, in addition to the expense variance, is shown in all direct expense tabulations and in the analyses of variance and summary operating statement.
- (c) The analysis of variance for each budget centre incorporates a fixed overhead recovery based on the total fixed budget for each cost centre.

### Differences in Organisation on the Computer

7. Since the output medium at present available with the Pegasus Computer is somewhat slower than the magnetic tape to convert output from the Elliott 405, certain changes have been made in the layout of results. These changes include moving the columns of figures closer

\* "Management Accounting by Computer," by F. Clive de Paula, F.C.A., F.C.W.A., and J. A. Goldsmith, M.A., A.C.A., A.C.W.A., *ACCOUNTANCY*, September, 1958, pages 442-5, and November, 1958, pages 574-8.

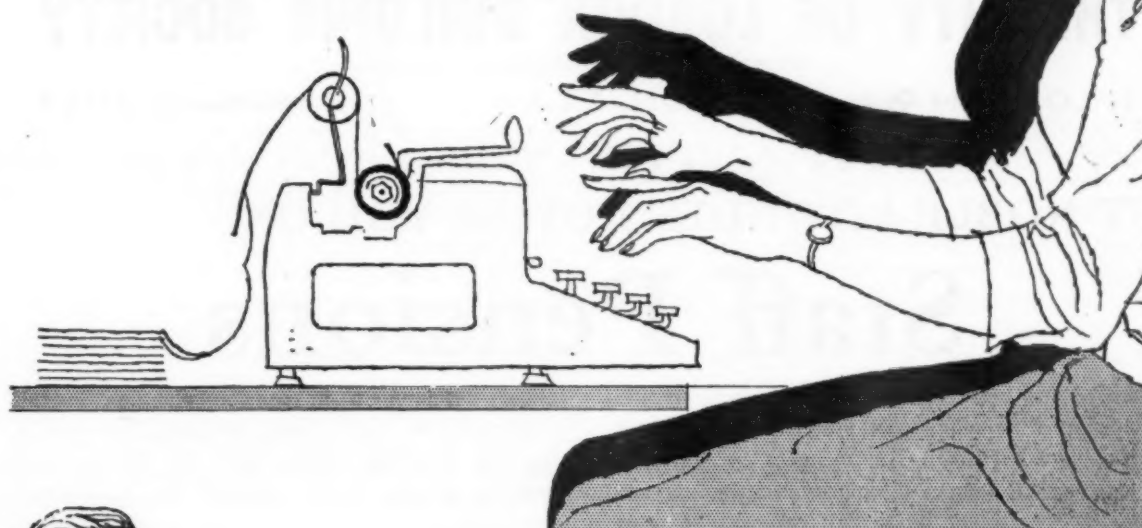
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together and combining the statistics and direct labour figures for each budget centre into one table.

8. With this changed layout of the results, for a factory with 20 budget centres and a general works expenses budget centre, the Pegasus programme takes about 45 minutes to run. It might appear that this compares badly with the 15 or 20 minutes taken by the Elliott 405 programme. There are, however, three important points which should be taken into consideration:

- (a) Faster output tape punches are becoming available, and, if one were to use a 240 character per second punch, the data for a factory of this size should be processed in under 10 minutes on Pegasus.
- (b) The Pegasus computer puts the results direct on to punched paper tape. On the Elliott 405, the results from the computer go on to magnetic film, which has then to be taken off the computer for processing on an auxiliary device, which produces punched paper tape. The direct punching of output on to paper tape on the Pegasus reduces the risk of errors as compared with the two stage process of the Elliott 405.
- (c) On the Elliott 405, the conversion of the magnetic film to punched paper tape takes about 45 minutes. Therefore, even when using the present slow output punches on the Pegasus, the printed results are available at much the same time on either computer.

9. Perhaps the most important improvement that has been made in this second programme, however, is the provision of two ancillary programmes as well as the main one which produces the operating statements. The first of these ancillary programmes enables the basic data to be put on to magnetic tape in a much more convenient manner without any tedious special punching conventions, and incorporates very full checks on the feasibility and correct entry and punching of the data. The second is a checking programme for the monthly current data tape which will enable any errors in this tape to be detected and put right before the main programme is run. Since the checking programme takes only about 5 minutes to run and the main programme about 45, much time (and hence expense) can be saved in this way. A preliminary check of this type is one which would be useful in many applications of data processing, and it has been suggested that some very large installations may even include a small computer merely to check data.

10. The sort of checks which have been incorporated in these programmes are as follows:

- (a) Data is sent for punching on a series of different forms. All information on each form is totalled by comptometer, and the computer tests every sum.
- (b) The form itself is numbered and then both the form number and the department number on each form are checked to ensure that all information has been presented and punched in the correct sequence and that none has been omitted.
- (c) The total numbers of cost centres, accounts, and so on, in each department are tested to ensure that they are within the limits that the programme requires.

(d) Certain indicative information, such as the basis on which each item of expense is "flexed", is checked to verify that it is of a type that the programme can handle.

#### Time Taken to Write the Programmes

11. In spite of these additional programmes, the completion of the main programme and both ancillary programmes, together with the preparation of very full punching and operating instructions, has been accomplished in just under six months. This is approximately the same time as was taken over the first programme with its less refined facilities. Thus, a more complex programme has been written relatively faster. We would attribute this improvement to three main facts:

- (a) Since a similar programme had been written before, less time was required in settling the fundamental methods to be adopted.
- (b) The Pegasus computer used was available whenever needed for programme testing. We did not, therefore, suffer any delays or frustrations on this account.
- (c) In writing and testing the programme, considerable benefit was derived from the very full library of subroutines and checking programmes available for the Pegasus computer and also from its extensive built-in checks.

#### Monthly Service

13. This programme is now being run monthly on a service basis, in the same way as the previous programme. Although the computer concerned is in London, it is processing the accounting data of two factories, one near London, and one in the North. All the punching of data is done at the computer centre, where the results are produced and posted back to the factories concerned.

14. The changeover to computer operation is still fairly recent, and so the timing of the procedures is probably not yet as fast and smooth as it may later become. But at present it takes about 3½ days from the time each factory sends off the current month's figures to the time it receives back the completed results. That is to say, if the data were posted on a Monday evening, the results should be received on the Friday morning.

15. It is not envisaged that the monthly running of the job will necessitate any assistance from the authors of the programme, except in the event of a decision being made to alter it in some way, or in the event of some major unforeseen snag.

#### Size of the Programme

16. For those interested in the programming side of the problem, it can be said that the main programme consists of about 2,400 orders; with a further 800 orders in the auxiliary data checking programme; and 1,500 orders in the programme which puts the budget details on to the standing data tape for the year.

#### Economics

17. The time of the computer which is being used is

being paid for at a rate which covers the cost of punching the data before each run and of printing the results. As with the previous programme, the cost of running the procedures on the computer is not much different from the cost of the hand methods previously used.

#### Conclusion

18. No very startling lessons have emerged from this second programme as compared with the first. It has, however, reinforced and confirmed the view, formed when the earlier programme was written, that it is a feasible proposition to put monthly accounting procedures on to a computer on a service basis. Good computer facilities are available for the purpose.

19. It is also true to say that the successful completion

of a programme such as this depends to a large extent on

(a) being quite clear from the outset just what are the accounting procedures to be put on to the computer, and being able to define the accounting and calculating requirements with absolute precision from the earliest moment;

(b) close co-operation between the accountants concerned, the programming team, and the computer centre;

(c) ready access to the computer whenever required for programme testing;

(d) the interest and enthusiastic help of the staff of the computer centre, which in this particular instance was a notable ingredient in the success of the operation.

## Accountant at Large

### On Paternal Bounty

"WHENEVER I THINK of counting up the cost of my modest family," began the Businessman cheerfully, "it always seems to amount to more than my income can possibly support. You fellows, though, with your superior knowledge of covenants and settlements, appear to make a profit from each child right from the start. How do you manage to do it?"

"Well, as far as two small children are concerned," said the Accountant, "the profit never gets any nearer than just round the corner. As fast as I take advantage of the latest opportunities, the Revenue seem to find some way of taking most of it back again. Look at those personal covenants in favour of a child, which a parent used to take out during the first year of the child's life. The deed had to be drawn up and stamped. Then one covenanted for a payment for seven years, but the practical value of the concession arose only in the first year."

"Well, it was still worth doing, wasn't it?"

"In a way, yes, but not as much as you might have thought. As you know, the scheme does not pay any more. However, as I say, this is all over now. What have the Chancery side found in its place? Can it make

the family pay?"

"Well, I should think that it would be possible," said the Chancery lawyer, "in extreme circumstances, to make a profit from the first few years of a child's life, because the Government in fact offers quite a bit of help: there is milk heavily subsidised; vitamin tablets and cheap orange juice; a maternity grant; a child's allowance, which may be, if the child is born late in the tax year, £100 of taxable income for the first few weeks of its life alone; after that, for subsequent children, come the few shillings a week that the mother draws, though that is taxable. I was very grateful for all these concessions, but the silly part of it was that directly we started a family we had to move to a larger house! Now, it is the school fees that hit me."

"Didn't you take out an educational policy?"

"We couldn't really afford one then, having just bought the house, but it turned out that the house was a better way of saving! We moved again a year ago, and took out a fresh mortgage. The capital we saved on the old helped quite nicely over a critical period. But surely this is the Accountant's province?"

"In a way, yes, but people don't

usually consult us so much about the conduct of their strictly private affairs, like the economics or accountancy aspects of buying a house. An assurance policy, on their life for their wife or children, frequently; an education policy, sometimes; an endowment policy, to provide for old age, or a lump sum on retirement, very often."

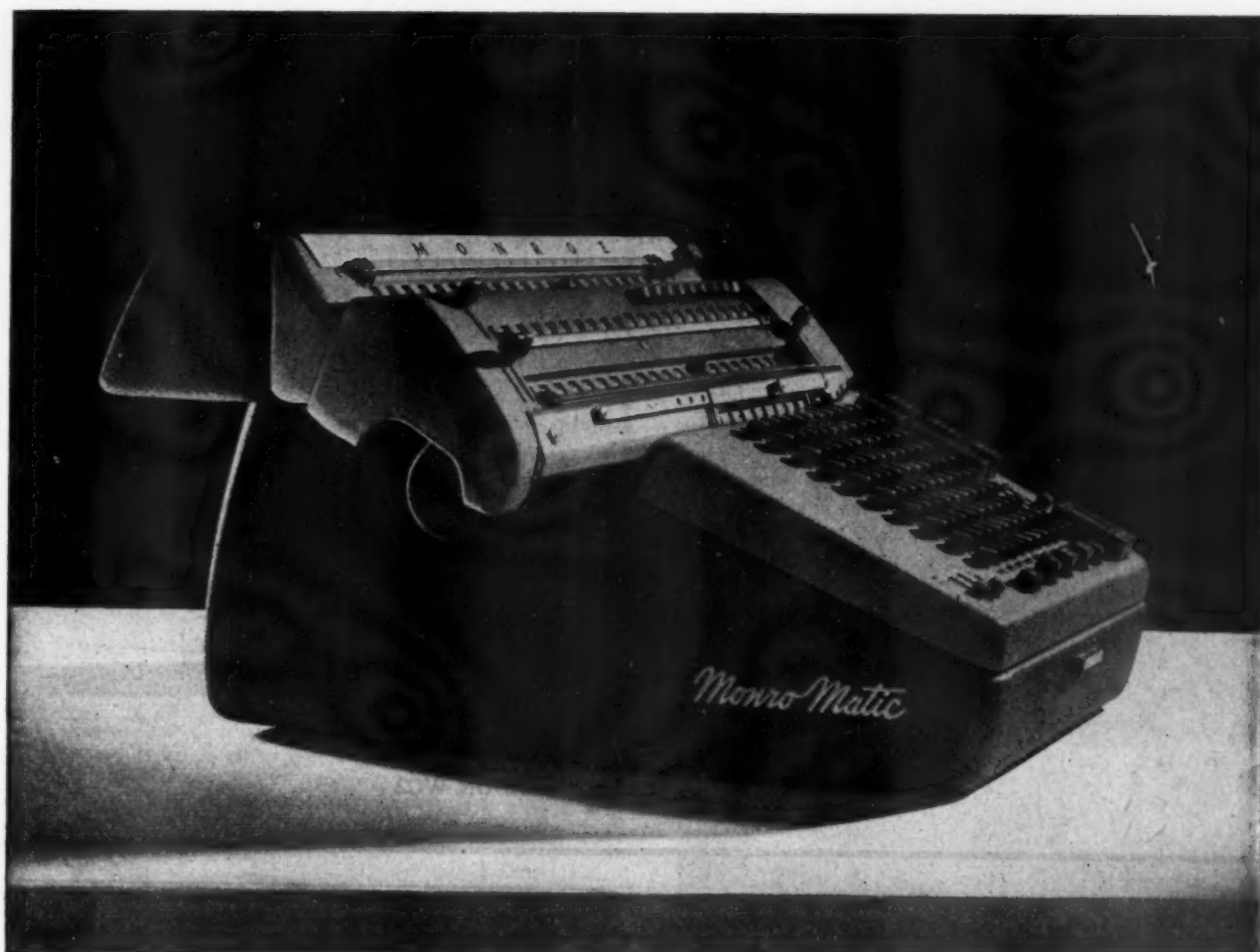
"You used to be able to do more for them a year or two ago, though, before the Revenue started to distinguish more rigidly between income and loans for endowment policies?"

"Yes, even for such a good cause as university education, it does not do to take on too many assurance commitments now. A few years ago people started taking out combined life and endowment policies beyond their means, borrowing money for the premiums. The idea was to obtain relief on them as if they were being paid out of income. But now it is necessary to be able to show that the premium is being paid out of income. I really broached the subject, though, to hear how the Chancery Division is faring with child benefits now. Is there anything new in covenants or settlements for the surtax payer?"

"Yes," said the Common Lawyer, "what is the latest? I for one am always willing to be bitten again."

"Well, in my small experience, the emphasis seems to have switched a little. People know now that if they wish to salt away a little of their capital for their children they may





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"Can't the trusts be prolonged beyond this time, subject to some control by independent trustees?" asked the Businessman.

"Not without the risk of an expensive battle with the Revenue. Fathers are Père Grandets who cannot bear to part with control over their funds or Père Goriots who will give away their whole fortunes at quite an early age, and then if they live long have to live on charity or pay duty to get their property back when the family die first."

"You mean that the emphasis has switched from income tax and surtax to death duties?"

"That is what it seems to boil down to," said the Accountant. "There are advantages in forming a company if you have property of any kind, and it is through the mechanism of a company that income tax and death duty problems can usually be simplified."

"Isn't there a tendency," asked the Common Lawyer, "through this pathetic 'statutory hypothesis' to nullify the effect?"

"Well, not so pathetic, you know," answered the Chancery Lawyer. "They use this hypothesis to break up, under the wide powers relating to controlled companies, practically any scheme you devise. It clarifies the approach of the individual to offer him the medium of a company, for by this means he can distinguish ownership from control. The non-voting share gives ownership without control, and businessmen all think at first that this is the answer to their problems."

"Until you explain the little provisions on benefits from controlled companies?"

"Exactly. When they see the ownership of shares in an investment company or trading enterprise clearly divorced from control, exercised through the voting shares or per-

manent seats on the Board, they see clearly expounded their own ideas on the possibilities for avoiding both income tax and death duties. The property is to pass to the children, the control remains with father until his dying day. Just what they want."

"And what is their reaction when the big disappointment comes and you explain the effect of the special legislation?"

"Well, it isn't such a big disappointment usually, you know. People really object to the fact that death duties and income tax take more than seems right. If you give your children a substantial share in your business and survive the necessary five years, then most of the really acute difficulties are overcome, even though you may retain the real control of the business."

"I can see that as far as the income tax is concerned—provided, of course, the children really do receive the income."

"Yes," said the Common Lawyer, "Haven't there been some rather tricky cases where the father has held the capital, and even the income, in trust?"

"Well, my experience is that people who try to stretch a point usually go so far that the Revenue have little difficulty in discrediting the whole arrangement. If you are really going to give full-grown children your shares, why continue to hold them yourself, even if you do declare a formal trust?"

"Yes, and if you give the property to the children, make sure they receive and enjoy the income and don't just hold it at father's disposal."

"In short, then," said the Accountant, "if you wish to retain control, the division of company shares into voting and non-voting seems to be the straightforward way. If the father keeps a majority of voting shares his whole interest in the company may be liable to duties on his death, but the Estate Duty Office allows for the interests which have in fact passed to the children. If the gift of the non-voting shares is genuine, and the shares are worth what they are stated to be, then the death duty is adjusted accordingly."

"What are the snags then?"

"Let me chip in," said the Chancery Lawyer. "The first is that if the children are infants, the income from the shares will be treated as that of the father if he in fact provides the cash or the shares himself. Next, of course, the child's allowance may be forfeited if the child receives too much income in its own right. That covers income tax."

"And death duties?"

"The same point just mentioned, about actually giving the child the income. Apart from that there are only two points to bear in mind. First, father may die within five years, while if the child should die first, father will have to pay estate duty to regain possession of what was his property."

"But isn't there another point? These non-voting shares have their own difficulties, haven't they?"

"Yes. They are very much out of favour, on the Stock Exchange and generally in the financial world, especially for the larger companies. And as for the family company, the courts quite possibly would not support a dictator at the top of a company against all the other shareholders, votes or no votes. One recent case proved that. With a fair amount of reason, though, the scheme should work out all right, but I think we would agree that it is important not to perpetuate the non-voting shares; the idea is to provide for a special situation."

"Yes, indeed. And what about all these longer settlements?"

"They are available for marriages, when they come in very useful, and to meet many other particular problems, such as the case of the irresponsible progeny, or the invalid widow. If they are wanted merely to lighten the load of one particular taxpayer, however, he ought to know in advance that they contain the germs of a highly profitable lawsuit—at his expense."

"And nothing more?"

"Oh, yes. One further point. The best way to ensure that such a lawsuit will take place is for him to learn a little about the scheme himself, and enlarge it by the exercise of his own ingenuity after his advisers have done their best for him!"

## Some Practical Aspects of Death Duties

by B. G. Rose, F.C.A.

### Introductory

1. Estate duty law and practice have now become so complicated and voluminous that it is difficult to maintain a working knowledge of the whole subject. Presumably this thought prompted the Council to propose the above title for a paper at the summer course. I myself have cause to be grateful for the Council's action, which forced me to take time to learn or revise many points previously overlooked or forgotten. I have tried to cover as many points which arise in practice as possible, with special reference to recent legislation and case law, but have deliberately omitted the subject of share valuation as such.

### Estate duty planning

2. As accountants, we are most frequently concerned with the steps that can be taken to reduce prospective liability to estate duty, and these, broadly speaking, fall into the following categories:

- (a) reduction of the estate by removal of assets into other hands, i.e. by gifts;
- (b) reduction in the value for estate duty purposes of assets which remain in the estate, e.g. when shares which would otherwise be valued on an assets basis can be valued on the normal open-market basis;
- (c) by investing in assets which are either (i) exempt from duty or (ii) liable to duty at a reduced rate by reason of forming a separate estate;
- (d) in the case of property originating abroad, by not permitting it to come into the net of liability to estate duty;
- (e) by investing in assets which enjoy the benefit of a reduced rate of duty by reason of their nature, e.g. agricultural land.

Methods (a) to (d) inclusive not only

eliminate or reduce estate duty on the property so dealt with, but reduce the rate of duty on the remainder of the estate as well. References to all these methods are made in this paper.

### Gifts *inter vivos*

*Gifts in the five years preceding death or gifts with reservation*

3. Such gifts are, in general, liable to estate duty on the death of the donor, and the rules governing their valuation were extensively altered by the Finance Act, 1957, Section 38, in relation to deaths on or after July 31, 1957, with some transitional relief. The effect of the Section was admirably and comprehensively set out in Mr. Pollott's paper last year, and it would be pointless for me to do so again. I merely observe, therefore, that the Section makes inoperative certain methods, available under the old law, of wholly or partly exempting gifts from estate duty, notwithstanding the donor's death within five years.

4. The result is to cut down the classes of gifts which can be made effective even if death takes place during the succeeding five years to a small number of exempted transactions, namely:

- (a) marriage gifts.<sup>1</sup> This exemption applies to gifts and settlements made on the occasion of marriage to, or for the benefit of, the spouses and issue of the marriage, or any of them. The exemption can be relied upon with safety where the donor is a parent or grandparent of one of the spouses. Where this is not the case, it may be necessary to justify the character of the gift by reference to family or personal relationships in the particular case. Theoretically there must be no other potential beneficiaries, but in practice the exemption is not lost if a marriage settlement provides benefits for other persons

only on the failure of the primary trusts for the spouses or issue of the marriage;

(b) normal and reasonable expenditure,<sup>2</sup> such as allowances to dependent relatives, charitable subscriptions, etc. The word "normal" is to be understood as "habitual" and reasonableness is largely dependent on the deceased's income and the donee's moral claims upon him;

(c) gifts not exceeding £100 to any one donee<sup>3</sup>—a relief now largely superseded by (d);

(d) gifts not exceeding £500 to any one donee.<sup>4</sup> This exemption (unlike (c) above) does not apply to settled property. Each donee may elect whether the gifts to him should be valued at the date of the gifts or at the date of death for the purpose of determining whether the exemption applies. If the gifts to any one donee exceed £500, marginal relief of the usual type is now available;<sup>5</sup>

(e) gifts in the nature of a payment in advance, e.g. a lump-sum payment of future school fees, which, though theoretically dutiable, have a nil value at the date of death;

(f) certain gifts to the State, to the National Trust, and other public bodies.

5. In the case of gifts for public or charitable purposes, the five-year period is cut down to one year. The estate duty office will state in advance of the donor's death whether a particular gift is accepted as falling within the definition.

6. The extinguishment of a debt or disclaimer of some right to property which the deceased might have had is to be considered as a gift.<sup>6</sup> This covers the case of a legacy which is disclaimed, but by concession duty is not claimed on the renunciation by the deceased of the

<sup>1</sup> Finance (1909-10) Act, 1910, Section 59 (2).

<sup>2</sup> Finance Act, 1949, Section 33.

<sup>3</sup> Finance Act, 1957, Section 38 (11).

<sup>4</sup> Finance Act, 1940, Section 45 (2). *Stratton v. C.I.R.*



fixed sum payable to a spouse under the Intestates Estates Act, 1952.

7. The five-year or one-year period does not begin to run until the gift has been completed. In the case of a cheque, this is not until the cheque has been presented and paid.<sup>5</sup> In the case of shares, it is when the donor has executed and delivered to the donee the transfer and share certificate, stamping and registration of the transfer being irrelevant.

8. If the donor does not give up possession and enjoyment of the subject-matter of the gift to the donee, or retains any benefit by contract or otherwise, the five-year period does not commence to run until he does so. This is very strictly interpreted, e.g. where a donee habitually allowed the donor to receive the income produced by the gift, even though this was acknowledged to be in the nature of a loan which the donor would be liable to repay, the condition was not treated as satisfied.<sup>6</sup> In a recent case,<sup>7</sup> a decision adverse to the taxpayer was given where the deceased had made a gift of land and subsequently became entitled to have the use of it for business purposes as member of a partnership. It is therefore no longer quite clear whether a donor may reside, even as a guest, in a house which he has given away!

#### Joint Property

9. There is a widespread belief among clients that there is an estate duty benefit to be derived by arranging for joint ownership of property, particularly as between husband and wife. This is not, however, generally the case. In the absence of other evidence, joint property is treated as forming part of the estate of the person who provided it, e.g. in the case of joint bank accounts or investments, duty is payable on the death of the person from whom the funds were derived and to that extent. There is no saving of duty, unless the joint owner who did not provide the funds actually received and enjoyed his or her share of the income separately over the five-year period preceding death. In the case of a house, however, which is purchased by a husband in the joint names of himself and his wife and occupied by them for the appropriate five-year period, only a half-share will be dutiable on the death of either the husband or the wife, even though one of them provided the whole of the purchase money. Even this

treatment largely depends upon a concession which recognises that the spouse who did not provide the purchase money has enjoyed rights of occupation equivalent to the separate enjoyment of income in the case of personalty. A similar position obtains where the house is provided by a father (or person *in loco parentis*) jointly for himself and his child. Where part of the purchase money was raised on mortgage, regular repayments of the mortgage during the five-year period theoretically constitute gifts in so far as they reduce the liability on the wife's (or child's) half-share, but are normally treated as exempt under the heading "normal and reasonable."

#### Insurance policies: deaths up to April 7, 1959

10. There has been a good deal of litigation on this subject in recent years, following which the position in relation to deaths up to April 7, 1959, can be summarised as follows:

(a) the proceeds of an insurance policy kept up by the deceased for his own benefit are liable to estate duty and aggregable as property passing on the death;

(b) (i) if the deceased effected the policy, but assigned it to a donee and continued to pay all the premiums after the assignment, the whole of the proceeds are liable to estate duty and to be aggregated; (ii) if the deceased paid some but not all of the premiums after assigning the policy, only the proportion of the policy money which corresponds to premiums paid by the deceased after the assignment, is aggregable and dutiable;<sup>8</sup>

Both (i) and (ii) apply however long the interval between the assignment of the policy or the last premium payment and the death<sup>9</sup> but by a concession announced on May 12, 1958, where a donee is absolutely and indefeasibly entitled to an insurance policy assigned to him more than five years before the death, duty will only be claimed on that proportion (if any) of the policy money which corresponds to the ratio of premiums paid by the deceased during the five-year period to the total premiums paid throughout the life of the policy. Thus if the deceased paid no premiums (either because the donee paid them or because the policy was fully paid up) there will be no liability;

(iii) where the premiums have been paid by virtue of and out of a settlement made by the deceased (whether out of the capital or income of the settlement) they are treated as having been paid by the deceased;<sup>10</sup>

(iv) under the rules summarised above,



Mr. B. G. Rose, F.C.A.

if they stood by themselves, a policy effected by the deceased and assigned by him within five years of his death escapes duty provided the deceased paid no premiums after the assignment. In fact the assignment would be caught as a gift, duty being payable on the proceeds of the policy less any premiums paid by the donee;

(v) if an insurance policy is effected by the deceased, and instead of being subsequently assigned by him, is from the start nominated in favour of another person, the deceased continuing to pay the premiums, the whole of the policy moneys will, as indicated above, be liable to estate duty, but as property in which the deceased never had an interest, and therefore exempt, wholly or partially, from being aggregated with the rest of the estate.

Policies effected under the Married Women's Property Acts can be nominated in favour of a spouse and/or the children of the marriage. Other nominations are possible by express trusts outside the Acts. In the case of deaths before July 30, 1954, each such policy was treated as an "estate by itself." In the case of deaths after July 30, 1954, the relief is restricted as follows:<sup>11</sup>

(a) all policies to which any one person is entitled are aggregated together, and the rate of duty fixed accordingly; e.g. five policies of £2,000 each all in favour of the same person (formerly exempt) would now be dutiable at the rate appropriate to an estate of £10,000;

(b) the policies to which no one person can be said to be entitled, e.g. because the interest in the policy money is subject to

<sup>5</sup> *Owen v. C.I.R.*

<sup>6</sup> *New South Wales Stamp Duties Commissioner v. Permanent Trustee Co. of N.S.W.*

<sup>7</sup> *Chick v. Commissioner of Stamp Duties.*

<sup>8</sup> *Lord Advocate v. Inzievar Estates.*

<sup>9</sup> *Hodge v. C.I.R.*

<sup>10</sup> Finance Act, 1948, Section 76.

<sup>11</sup> Finance Act, 1954, Section 33 (2).



a contingency, have to be aggregated with all the nominated life policies passing on the death (including those under (a)) and the rate of duty fixed accordingly. There is no question of aggregation with the rest of the estate.

(vi) The rules summarised in (i) and (ii) above resulted in little or no liability in certain cases involving assigned as distinct from nominated policies, e.g. where the policy was assigned as a gift on marriage, or where the deceased survived the assignment for five years and paid only a small proportion or none of the premiums after the assignment. In the former case, the theory that marriage represents valuable consideration, prevented the Inland Revenue from claiming that premiums paid by the deceased after the assignment were for the benefit of a "donee," so that there was no liability at all. In such cases the Revenue made an alternative claim under the Finance Act 1894, Section 2 (1) (d) on the grounds that a beneficial interest arose on death as a result of the policy money being realised. Such alternative claims have however been rejected in a number of cases.<sup>12</sup>

#### *Insurance policies: deaths after April 7, 1959*

11. In relation to deaths taking place after April 7, 1959, clause 26 of the Finance Bill as laid before Parliament on April 15, 1959, proposes to give legislative form to the concession of May 12, 1958, and generally to assimilate the treatment of life assurance policies kept up for donees to that given to other types of gift. There follows a summary of the new proposals with a note as to the changes effected thereby as compared with the previous law.

12. If the deceased at any time effected a policy on his own life, and within five years of his death assigned it to a donee, he will be treated as having made a gift equal to a proportion of the value of the policy (whether still in force at his death or not), the proportion being—

total premiums paid up to assignment

total of all premiums paid to the date of the policy's maturity or its earlier assignment or surrender by the donee.

If the assignment took place more than five years before death, there will be no liability under this head. Nominated policies do not come under this head, because they are never assigned.

13. As regards any premiums paid by the deceased in respect of a nominated policy, or on such a policy as in the last paragraph after the assignment, the

gift will be treated as a proportion of the value of the policy (whether still in force at death or not), the proportion in this case being—

sum of premiums paid by donor in the five-year period (or shorter period since the assignment)

total of all premiums paid to the date of the policy's maturity or its earlier assignment or surrender by the donee or nominee.

It will be noted that only the premium payments made by the deceased within five years of death enter into the computation of the numerator of the above fraction. Premiums paid earlier escape. Nominated policies can be liable only under this head. Assigned policies may be liable under both heads, namely where the assignment took place within five years and the donor continued to pay at least one premium subsequent to the assignment.

14. The value of the policy (to which these fractions are applied) is defined as:

(a) the value at the date of death of the benefits receivable under the policy at its maturity; or

(b) (i) if the donee has previously surrendered the policy, its surrender value;

(ii) if he disposed of it for value, the consideration received by him;

(iii) if he disposed of it otherwise, the market value of the policy at the date of its disposal.

15. The clause makes provision for the case where it is claimed that the gift is within one of the exemption limits referred to in paragraph 4 (c) and (d) above, and the donee elects for this purpose to value it at the date of the gift. In that case the value of the policy is taken to be its market value at the date of gift and the amount of the gift for this purpose only is found as follows:

(a) as regards an assignment of a subsisting policy—the whole of such market value;

(b) as regards subsequent premium payments by the donor on such a policy or premium payments under a nominated policy—each premium is treated as a separate gift amounting to the market value at the time of each premium payment multiplied by the fraction—

premium paid by the donor

amount of the above premium plus all previous premiums paid under the policy

the total of all these fractional valuations being the value of the gift for comparison with the exemption limit.

16. The comparison with the rules set out in paragraph 10 above is therefore as follows:

(a) no change;

(b) (i) if the policy was assigned more than five years before the death, only the proportion of the policy money which corresponds to premiums paid by the donor during the five-year period compared with total premiums throughout the life of the policy (see paragraph 12) will be dutiable. In other circumstances, no change;

(ii) the test is now a different one, depending not only on what premiums have been paid by the deceased since assignment, but whether the assignment took place more than five years before death.

The new clause gives effect to the concession referred to, so that any policy assigned more than five years before the assignor's death, which was either fully paid up more than five years before such death, or on which the assignor paid no further premiums during the five-year period, escapes duty;

(iii) the provisions regarding the payment of premiums out of settlements,<sup>10</sup> are repealed;

(iv) the measure of the gift will in future be the appropriate proportion of the policy money, instead of the policy money less premiums paid by the donee; (v) instead of the whole, only the proportion of the policy money of a nominated policy attributable to premiums paid during the five-year period compared with the total premiums throughout the life of the policy (see paragraph 12), will be dutiable, the rest escaping duty. It appears that the limited exemption from aggregation formerly applicable may still be available in future, but this is not clear from the wording of the Bill;

(vi) presumably an assignment of a policy in consideration of marriage will still be exempt, in accordance with the general rule on such gifts. Claims under Section 2 (1) (d) would now be still more remote.

#### *Benefits from pension funds*

17. Two points may have to be considered in this connection:

(a) whether the benefit concerned is dutiable, and if so

(b) whether it is aggregable as well.

18. In the simple case of a pension scheme, whether or not contributory, which provides for life insurance benefit to the employee's estate on death in service and a pension for the employee on retirement, the life insurance benefit is liable to estate duty as part of the employee's estate, and aggregable. No question of estate duty arises in connection with the pension.

19. Where a scheme provides benefits which continue after the employee's death or arise at that time, the position

<sup>12</sup> *Lord Advocate v. Hamilton's Trustees; D'Avigdor Goldsmid v. C.I.R.; Westminster Bank Ltd. v. C.I.R.; Wrightons v. C.I.R.*

<sup>10</sup> Finance Act, 1948, Section 76.

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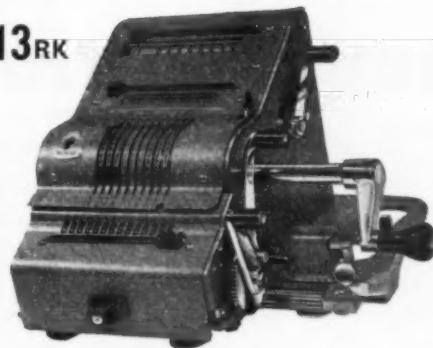
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depends on the rules and the method adopted:

- (a) in both contributory and non-contributory schemes, any capital sum paid as of right to the deceased's estate, or nominated by him under a general power, is dutiable and aggregable;
- (b) in both contributory and non-contributory schemes, where there is a single pension for the employee which continues after his death to be payable at the same rate to a dependant, the actuarial value of the dependant's pension is dutiable and aggregable. In practice this type of benefit is comparatively rare;
- (c) in contributory schemes, any benefits payable as of right to specified dependants or to persons nominated by the employee, are liable to estate duty under the Finance Act, 1894, Section 2 (1) (d) as an interest provided by the deceased, but the value of such benefits is not aggregable with the rest of the estate to fix the rate of duty. In a non-contributory scheme such benefits generally escape estate duty;<sup>19</sup>
- (d) if the benefits are unenforceable, e.g. because they are payable wholly at the discretion of the employer or the trustees, or because the employer or trustees have a discretion as to which particular member of a specified group of beneficiaries is to receive them, the benefits escape estate duty even in the case of a contributory scheme, and even where one of the group of beneficiaries is the employee's estate and the benefits are in fact paid to his executors.<sup>20</sup>

20. In the case of a non-contributory scheme, as indicated above, benefits for dependants will in general escape liability, provided they are distinct from those enjoyed by the employee. But where an employee surrenders some benefit of his own, in order to provide benefits for his dependants after his death, the value of such benefits is dutiable under Section 2 (1) (d), generally as an estate by itself.

21. Where any such benefits are dutiable, but not aggregable with the deceased's estate, some or all of them may be aggregable with one another. This will be the case where they take the form of benefits under insurance policies (as distinct from rights against a trust fund), in which case the provisions applicable to nominated life policies will apply.<sup>21</sup>

22. Trust schemes or pension insurances for "self-employed" persons under the Finance Act, 1956, are in a separate category. Such schemes can only provide benefits for a surviving spouse or other dependant in the form of an annuity. No lump-sum benefits

can be provided, except the return of contributions with interest or bonuses on death before retirement to the personal representatives of the person who paid the premiums. Such a lump sum will be dutiable and aggregable with the rest of the estate in the ordinary way. The annuity benefits for a surviving spouse or other dependants are dutiable in the same manner as nominated life assurances (see paragraph 10 (b) (v) above) i.e. limited aggregation only will apply, even where the deceased had an option, which he did not exercise, to take a return of contributions for his own estate.<sup>22</sup>

#### Life and reversionary interests

23. Until the passing of the Finance Act, 1958, it was possible to effect substantial savings of estate duty, without the need of survival for five years, by dealings with life and reversionary interests. If a life-tenant purchased the reversionary interests in the settled fund for a capital sum, the result was that the whole settled fund became his property absolutely. As this would in any case have passed and been liable to estate duty on the life-tenant's death, the result was that the amount liable to estate duty on that death was diminished by the capital sum paid for the reversionary interest which, being a payment for full consideration, could not be treated as a gift. The effect of the Finance Act, 1940, Section 43 (as amended), was avoided, because, as a technicality, the life interest was not determined or disposed of by such a transaction, but was enlarged into an absolute interest.

24. As regards any such purchase made after April 15, 1958, the Finance Act, 1958, Section 28, in effect restores the five-year period, by imposing a liability to estate duty, on the life-tenant's death within five years of the purchase, on the amount or value of the consideration given for the purchase, such amount or value also being aggregable. Any consideration other than cash is to be valued as at the date of purchase. The Section makes elaborate provision for the case where the settlement continues to exist after the purchase (because some intermediate interest between that of the life-tenant and the reversion purchased by him, or some interest subsequent to the purchased reversion, is provided for under the settlement). In such cases, the Section gives the option for duty to be

paid on the value of the purchased interest instead of on the purchase money. This may be preferable, *inter alia*, where the assets of the settlement include assets which are liable at a reduced rate of duty or where it is desired to take advantage of the postponement of liability allowed in the case of interests in expectancy.<sup>23</sup>

25. The persons accountable for the duty are those who are accountable for the duty on the property out of which the purchase money was provided. This would generally be the free estate of the deceased, and the accountable persons consequently his personal representatives. But where the purchase of the reversion brings the settlement to end—the normal case—the last trustees of the settlement are made accountable in addition, by applying the provisions which impose and limit the liability of such trustees in the case of determination of a life interest.<sup>24</sup> Under these provisions, the trustees may obtain a certificate of their maximum liability, and retain assets out of the settlement to meet it, which they would hand over only when the five-year period has expired.

26. These provisions in effect have the same aim and result as those directed against the determination of life interests.<sup>25</sup>

27. Naturally, the practice of bringing life interests to an end, either by purchase of the reversion or by a release of the life interest, will continue, in both cases in the hope that the life-tenant will survive for five years.

28. Where the operation takes the form of a release of the life interest, and, as is usual, the settlement then comes to an end, the charge to estate duty will be on:

- (i) the actual property withdrawn from the settlement, other than property taken absolutely by the life-tenant (which would be liable as part of his own estate), and
- (ii) any consideration given by the life-tenant for the property taken by him absolutely

both valued at the date of withdrawal, and not at the date of death, i.e. as if the death had taken place immediately before the determination of the settlement. Where the settlement continues to exist as a whole, the charge to duty is on the property comprised in the settlement at the time of death and valued at that date.<sup>26</sup>

<sup>19</sup> *Re J. Bibby & Sons Ltd. Pensions Trust Deed; Davies v. C.I.R.*

<sup>20</sup> Finance Act, 1954, Section 33 (2).

<sup>21</sup> Finance Act, 1956, Section 35; Finance Act, 1957, Section 39.

<sup>22</sup> Finance Act, 1894, Section 7 (6).

<sup>23</sup> Finance Act, 1950, Section 44.

<sup>24</sup> Finance Act, 1940, Section 43, as amended; Finance Act, 1950, Section 43.

<sup>25</sup> Finance Act, 1957, Section 38.

29. Where a settlement is to be brought to an end, and it comprises shares or debentures which at that time are liable to be valued on an assets basis under the Finance Act, 1940, Section 55, that basis will apply on the death of the life-tenant within five years, even though in the meantime some action has been taken, e.g. the obtaining of a stock exchange quotation, which would eliminate the assets basis if the shares or debentures had to be valued as at the date of death. It follows that in such a case, the liability could be greater as a result of determining the life interest than it would have been otherwise. The same applies where the assets comprised in the settlement depreciate in value between the date when the settlement is determined and the date of death. Conversely, any appreciation in value would escape. The concept of valuing property which passes on a death as at some earlier date first gained importance in the provisions of the Finance Act, 1957, Section 38, and can have surprising results, of which the above is an illustration.

30. The provisions of the Finance Act, 1940, Section 43, as amended, relating to the determination of life interests, apply only to life interests in possession. A life interest which is contingent upon some event which has not yet happened, e.g. because it will only arise on the death of another life-tenant, can therefore be disclaimed, so that it never comes into effect, and no liability to duty can arise on the death of the person disclaiming it, even within five years. The position is similar where a life interest created under a will is disclaimed by the beneficiary, provided the latter has done nothing to indicate acceptance of the bequest.

This is different from a disclaimer of an absolute bequest, which is liable to duty if the disclaiming beneficiary dies within five years.<sup>20</sup>

31. Likewise, the provisions of the Finance Act, 1958, Section 28, in effect do not apply where the person who purchased the reversionary interest was not, and would not by the time of his death have been, life-tenant in possession.

32. The exemption for gifts made on marriage, referred to in paragraph 4 (a) above, does not apply to the release of life interests.

33. Where an annuity for life is payable out of the income of settled property, the determination of the annuity is, in

effect, the determination of a life interest, and the same considerations apply. In a case, however, where the trustees purchased a life annuity as an investment of the settled fund, and the annuitant agreed that this investment should be his only security, thereby enabling the rest of the fund to be freed, it was held that there was no determination of the annuity, and therefore no liability to estate duty on the annuitant's death within five years.<sup>21</sup>

#### Settled property—other points

##### *Discretionary trusts*

34. This type of trust has the advantages of great flexibility and of freedom from estate duty on the death of any beneficiary other than the last two to die, while the settlement remains in being. On the other hand, such settlements are extremely difficult to draft and more often come to grief as a result of drafting errors than other types of settlement.

35. The death of the settlor within five years of making the settlement attracts estate duty in the usual way. The object in drafting the settlement is, therefore, to preserve the freedom from estate duty on a death other than the settlor's, and accordingly the class of possible beneficiaries is made as large, and the period for which the settlement can subsist as long, as possible. As regards the class of beneficiaries, there are difficulties of definition—this must be precise and enable the members of the class to be identified at any time, and as regards the period, the rule against perpetuities must be observed. Failure to fulfil these requirements will involve income tax and surtax disadvantages and may possibly negate some of the settlement's advantages for estate duty purposes.

36. The problems caused by trusts which provide for the accumulation of income are referred to below. Apart from these, care must be taken in discretionary trusts, that neither the death of the settlor nor that of any beneficiary causes a change in the membership of the class of beneficiaries or their interests, otherwise the settled fund will pass under the Finance Act, 1894, Section 1. For example, it is usual to exclude the settlor's wife from any benefit (for income tax and surtax reasons) but it would be in order to include his widow, but for the fact that the settlor's death then causes a change in the class of beneficiaries. The position

therefore seems to be, that the wife must be included as a discretionary object from the start, in which case the settlement will be ineffective during the settlor's life for income tax and surtax purposes,<sup>22</sup> or alternatively must be excluded altogether.

37. As regards advances or distributions out of the capital of a discretionary trust, so long as there are two or more beneficiaries, the operation of the Finance Act, 1940, Section 43, is excluded, since the property would not in any case have passed on the death of any beneficiary. If all the beneficiaries collectively bring the trust to an end, the position may be different.

##### *Accumulation trusts*

38. The specific estate duty problem of these (apart from the problems which they pose in regard to income tax and surtax) is that it is not possible to exclude the operation of the rule against accumulations in the Law of Property Act, 1925, Section 164, which operates so that the power to accumulate ceases at the death of the settlor.

39. If in such a case, under the terms of the settlement, the accumulated income accrues for the benefit of persons who are different from those who are to enjoy the income after the accumulation period has ended, or any material change in the respective interests occurs, there is a passing of the settled funds on the death of the settlor, even after the five-year period, under the Finance Act, 1894, Section 1. A common example of this is a settlement which provides for the income to be accumulated for a specified number of years and to be added to capital, followed by a life interest, with remainder to another person. On the death of the settlor during the accumulation period, income ceases to be accumulated for the remainderman and becomes payable to the life-tenant; the whole fund passes.<sup>23</sup>

40. For this reason, it is inadvisable to direct accumulation of income for more than five years—the period during which liability would arise in any case on the settlor's death—except when the accumulations are for the period of the beneficiary's infancy, for which there is specific exemption in the rule against accumulations. In the latter case, no liability would arise on the settlor's death after five years from the execution of the settlement.

41. If, in the case of a settlement for an

<sup>20</sup> Finance Act, 1940, Section 45 (2); *Stratton v. C.I.R.*

<sup>21</sup> *Re Belt, Belt v. C.I.R.*

<sup>22</sup> Finance Act, 1958, Section 22.

<sup>23</sup> *Re Hodgson's Settlement*; *Brooks v. Attorney-General*.

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infant beneficiary contingent upon his attaining the age of twenty-one, the beneficiary dies before that age, there is no liability to duty, even if the income has been applied for his maintenance.<sup>24</sup>

#### Annuities out of income

42. Until the passing of the Finance Act, 1956, if an annuity was payable out of the income of settled property and the life-tenant died, leaving the annuitant surviving with a continuing right to the annuity, duty was payable on the whole fund on the life-tenant's death, with a deduction only for the actuarial value of the annuity.<sup>25</sup> If the annuitant succeeded to the whole income, there was no deduction, and the whole fund passed on the life-tenant's death.<sup>26</sup>

43. In respect of deaths on or after August 2, 1956, the Finance Act, 1956, Section 32, provides relief by allowing a deduction from the value of the settled property of the slice required to produce the annuity. The relief does not apply, *inter alia*, if the settlement was made by the deceased, and where the relief is not available, the old rules summarised above are still applicable.

#### Partnerships

44. Schemes for the elimination of capital payments for goodwill in partnerships, and the substitution therefore of annuities to retiring partners and their dependants are now quite common.

45. Such arrangements have as their basis the provision that the death or retirement of any one partner does not dissolve the partnership as a whole and that on the death or retirement of a partner, his share in the partnership is to be taken over by the other partners on a specified basis, goodwill being taken at a fixed value or nil. On the analogy of shares in companies where there are severe transfer restrictions, the Estate Duty Office can require the share in the partnership, including goodwill, to be valued at an open market price, but with due regard to the fact that any purchaser would himself be bound by the restrictions in the partnership agreement. As these restrictions in effect preclude the hypothetical purchaser from selling at a higher price than that specified in the agreement, the price actually paid by the surviving partners is usually accepted.

46. Any expression that a deceased partner's share accrues to the other partners automatically should be

avoided, as the surviving partners may find themselves liable for the estate duty on such share (or on the excess of its theoretical open-market value over the amount paid by them) as "survivors."

47. Any annuity payable to a retiring partner should not be expressed as charged on the partnership assets, otherwise there may be a liability to estate duty on the retired partner's death on the basis of a cesser of the annuity. This risk is avoided by making the annuity a personal covenant of the continuing partners.

48. Normally, the partners' mutual undertakings to pay annuities to any of their number who retire represent additional consideration for the outgoing partner's share in the partnership, thus countering any contention on the part of the Revenue that the goodwill is being acquired by the remaining partners at a figure so low as to involve an element of bounty. As between partners who are relatives of one another, this argument is not available, and the value of the undertaking to pay an annuity cannot be regarded as consideration.<sup>27</sup>

49. Any undertaking to pay an annuity to a dependant of a deceased partner, to commence on the latter's death, should be so worded as to make the undertaking unenforceable by the dependant. If this is not done, liability is attracted on the basis of an interest purchased or provided by the deceased.<sup>28</sup> The dependant concerned should not act as personal representative of the deceased, since as such he may be deemed to be able to enforce payment. Subsequent to the death, it may be necessary to give the annuity an enforceable character (e.g. by deed of covenant) to ensure its being allowed for surtax. For obvious reasons, the dependant's annuity should not be charged on the partnership assets.

50. A share in a partnership is personal property. Even if the partnership assets comprise agricultural land, no reduced rate relief will therefore be available in respect of it, except by concession in relatively rare cases. Agricultural land should therefore preferably be held by the partners as individuals outside the partnership, and let to it if required.

#### Family companies

51. This is a field where spectacular results may sometimes be achieved, occasionally even within the five year period. The problem is usually that a

substantial part of the estate consists of shares, theoretically of high value, which it is either not desirable or not possible to sell for the purpose of defraying duty, which has therefore to be met out of other assets which may be inadequate for the purpose. The problem may be aggravated on account of the applicability of the Finance Act, 1940, Section 55, as amended.

52. The conditions in which the Section applies were extensively amended by the Finance Act, 1954, and were reviewed in Mr. B. R. Pollott's paper last year. Before the passing of this Act, it could safely be assumed that any step designed to eliminate Section 55 would be beneficial, but the Act introduced important reliefs which apply only in cases under Section 55, so that, in admittedly rare cases, the applicability of Section 55 may be an advantage. The reliefs referred to are:

- (a) the reduced rate of duty on industrial premises, and plant and machinery used for business purposes;<sup>29</sup>
- (b) similar reduced rate relief on agricultural land used for husbandry or forestry;<sup>30</sup>
- (c) the procedure whereby the valuation may be reduced (but not increased) to the amount realised on a sale at arm's length within three years of death.<sup>31</sup>

53. A number of observations may be made on these reliefs:

- (a) (i) the reduced rate relief applies only to industrial premises (as defined for rating purposes). Commercial premises do not in general attract any relief;
- (ii) any industrial premises and plant owned by the deceased and let to the company qualify for the relief;
- (iii) the relief is given on the proportion of the value of the company's shares and debentures which is attributable to the value of the qualifying assets;
- (iv) similarly, the proportion of the value of any shares or debentures in a subsidiary company, which is attributable to assets qualifying for relief, is itself treated as a qualifying asset of the parent company;
- (v) industrial premises and plant of the company, which are let to a subsidiary for use in its business or owned by the subsidiary and let to the company, qualify for the relief;
- (b) in the case of agricultural land, relief is not available in the circumstances described in (a) (iv) and (v) above;
- (c) the one-way option to adopt the proceeds of sale as the estate duty valuation is only available if none of the vendor(s) are related to the purchaser(s). It applies only to shares or debentures

<sup>24</sup> Finance Act, 1894, Section 5 (3).

<sup>25</sup> *Longbourne's Marriage Settlement*; *Warren v. C.I.R.*

<sup>26</sup> *Lambton's Marriage Settlement*; *May v. C.I.R.*

<sup>27</sup> Finance Act, 1950, Section 46.

<sup>28</sup> Finance Act, 1894, Section 2 (1) (d).

<sup>29</sup> Finance Act, 1934, Section 28 (2) (a).

<sup>30</sup> Finance Act, 1954, Section 28 (2) (b).

<sup>31</sup> Finance Act, 1954, Section 30 (1).

actually sold, not to any which are retained, even though the latter have rights identical with the former. In comparing the estate duty valuation with the sale proceeds, adjustments must be made for any change in circumstances between the date of death and the date of sale, e.g. changes in the amount of the issued capital or rights attached to different classes of shares. The substituted value arrived at is itself subject to relief on the proportion comprised in it of industrial premises, plant and agricultural property, which qualify for the reduced rate.

54. In arriving at the proportion of the value of a company's shares and debentures to which the relief applies, unsecured liabilities are primarily deducted from the assets which do not qualify for relief, but secured liabilities are deducted from the value of the assets on which they are secured, and the relief is restricted to the net amount. If a liability is secured partly on qualifying assets and partly on other assets, it is rateably apportioned between the two.

55. Debentures are not treated as a deduction from the assets for the purposes of Section 55, and therefore a loan, e.g. from an insurance company, which is secured on an industrial building is not deducted from the value of the building in arriving at the amount on which relief is available. The relief will finally be apportioned between the shares and the debentures with the result, usually, that a substantial part of it attaches to the shares. If an exactly similar loan is made by a bank, the loan has to be deducted from the value of the asset, and relief is restricted to the net amount accordingly. The reason is that a bank loan is excluded from the definition of "debenture."<sup>33</sup> It follows that in the case of a Section 55 company, a bank loan secured on any assets which qualify for relief usually leads to a higher estate duty liability than a similar loan made by anyone else.

56. Despite the changes made by the Finance Act, 1954, it is still rare to find circumstances which make it desirable for Section 55 to apply. Examples of such circumstances (which usually need to exist in combination) are:

- (a) where due to lack of management succession, the death of the controlling shareholder is likely to lead to both a drop in profits and a sale of the controlling interest;
- (b) where a high proportion of the net assets consists of assets qualifying for the reduced rate;
- (c) where the controlling shareholder has

mainly fixed interest securities in the company, having parted with the equity though not with control;

(d) where the company has distributed a high proportion of its profits in dividend, or the rate of earnings on the real value of the net assets employed in the business is neither exceptionally high, nor exceptionally low.

57. Where the converse state of affairs exists, Section 55 is likely to be particularly unattractive, but the value of any generalisation, such as the foregoing, is limited, and each case has to be examined on its own merits. Since, however, generally speaking, the valuation of the shares under Section 55 is based on a capitalisation of the company's earnings, with an addition for all assets, such as surplus cash and investments, which are not employed in the business, or on the value of all the assets piecemeal, less liabilities, if higher, the value arrived at is likely to reflect fully:

- (a) an exceptionally high rate of profit on the value of assets actually employed in the business;
- (b) the existence of surplus cash or investments;
- (c) the open-market value of inherently valuable assets, e.g. properties, which are earning a low return on such value;
- (d) the fact that dividend distributions have been low in relation to profits.

None of these factors would be reflected to the same extent, if at all, in a valuation of the shares on the ordinary open-market basis,<sup>34</sup> particularly if the holding were such as not to confer a controlling interest.

58. If, as is usually the case, it is found that it is desirable to avoid the application of Section 55, the question arises what can be done about it. The principal steps which are theoretically possible fall into the following categories:

- (a) the obtaining of a stock exchange quotation for the shares. Even if no gifts of shares are made by the controlling shareholder, and he in fact retains control of the company, any shares for which permission to deal on a recognised United Kingdom stock exchange has been granted will, provided dealings in the shares have actually been recorded during the year preceding the death, be valued at the stock exchange valuation at the date of death, and not at the Section 55 value. This step is effective at once without any question of surviving for five years;<sup>35</sup>
- (b) the sale by the controlling shareholder of parts of his holding at a full commercial value. If the individual sales are for

less than a controlling interest, the full commercial value will inevitably be less than the Section 55 value, and the estate will be reduced by the difference. The fact that the sales are made for full consideration prevents this difference from being treated as a gift, and survival for five years is not therefore required to make this step effective. If the sale is to a relative, or otherwise between parties who are at arm's length, it is important that there should be evidence, such as an independent valuation, to support the value adopted for the sale. Any shares retained by the deceased will be valued under Section 55, if he dies within five years of giving up control, or on death at any time, if control is retained;

(c) gift of shares on marriage. These, like other marriage gifts fulfilling the requisite conditions, will be exempt even on death within five years. Any shares retained will, if they still confer control, be valued under Section 55 on death at any time; if they do not, only on death within five years;

(d) gifts of shares which come within the exemption for gifts under £500 to any one donee.<sup>36</sup> The exemption is available if the open-market value as distinct from the Section 55 value of the shares comprised in the gift, is under £500. The position in regard to shares retained will be as in (c);

(e) gifts of shares to employees or former employees who are not relatives, or to the widow or orphan of such an employee, provided the donee alone or with his relatives does not have control of the company at any time after the gift. The shares comprised in any such gift will be valued at the open-market value, and not at their Section 55 value, if the donor dies within five years.<sup>37</sup> In regard to shares retained, the position will be as in (c);

(f) other gifts of shares to individuals absolutely or by way of settlement. No saving is effected by this method if the donor, being the controlling shareholder, dies within five years. After five years, if control is given up at the time of the gifts, Section 55 will cease to apply to the retained shares;

(g) conversion of the controlling shareholder's interests in the company into fixed interest, as distinct from equity, securities. After survival for five years, the estate would be reduced by the difference in value. The reduced rate reliefs under the Finance Act, 1954, would attach, in part, to the preference shares or debentures remaining in the estate, and voting control could be retained.

59. It will be apparent that the one step which achieves an immediately effective saving of estate duty, as regards both shares disposed of and those retained, and without the necessity of giving up control, is the obtaining of a stock exchange quotation. Since this

<sup>33</sup> Finance Act, 1940, Section 59.

<sup>34</sup> Finance Act, 1894, Section 7 (5).  
<sup>35</sup> Finance Act, 1940, Section 55 (4).

<sup>36</sup> Finance Act, 1949, Section 33.  
<sup>37</sup> Finance Act, 1954, Section 30 (2).



entails a sale of a proportion of the share capital to the public, it also leads to the provision of funds for the payment of the prospective liability, but this is often much the less important consideration. If, as often happens, the difference between the Section 55 value and the stock exchange value of the shares is large, the diminution of the aggregate dutiable value of the estate, and the consequent reduction in the rate of duty, lead to a prospective saving in estate duty relatively more material than the amount realised from the sale of the shares.

60. Quite apart from the fact that a stock exchange quotation is not always desired by the parties concerned, many companies to which Section 55 applies are not, by reason of their size, their record or other circumstances, in a position to seek this protection. Yet it is often in this type of company that the applicability of Section 55 is most serious. There is often no ready market even for controlling interests in companies of this type, let alone for minority interests, so that the benefit of the Finance Act, 1954, Section 30 (1) is, in effect, not available, even where the executors or legatees would be prepared to consider a sale. The dilemma is familiar, and does not require elaboration. In such circumstances a sale transaction on the lines referred to in paragraph 58 (b) may be of immediate assistance.

61. Such a sale may take the form of parting with a minority interest to one of the investment trusts, such as E.D.I.T., now specialising in this type of business. If so, not only will there be an immediately effective diminution of the dutiable estate to the extent of the difference between the Section 55 value of the shares sold and their sale proceeds, but an accretion of liquid funds to the estate. In practice, however, and useful though the facilities provided by these investment trusts undoubtedly are, there is considerable psychological resistance among proprietors of small or medium-size family companies to this step, and this resistance is complemented by the fact that the requirements of these institutions are fairly exacting, so that in fact for many companies this solution is not available any more than a stock exchange quotation, and for similar reasons.

62. The sale, therefore, more often than not, has to be to a relative. In such a case, apart from the difficulty of fixing a price which represents, and can be clearly seen to represent, full consideration, there is also the difficulty

that the relative concerned may not himself have the necessary funds to make the purchase. Can the controlling shareholder make a cash gift to the relative which the latter afterwards uses for the purchase of the shares? The answer seems to be a cautious yes; provided that the gift of cash is "without strings" so that the donee is for a time, however short, in unrestricted possession of the sum of cash. This view received support in a recent case<sup>37</sup> where the taxpayer sought to establish the contrary principle, and lost. In such circumstances, the gift of cash would, of course, be dutiable on the donor's death within five years. If following such a gift the shares are sold for full consideration, the difference between this and the Section 55 value will escape duty, as indicated above, but only in the case where the cash was an outright gift. If the cash was given to a settlement made by the donor, the dutiable property on the donor's death within five years is not the amount of cash, but the property comprised in the settlement at the death,<sup>38</sup> and any shares acquired by the settlement from the donor would therefore be valued for estate duty on the same basis as if he had retained them. On the other hand, if some settlement with available funds is in existence which was made by the controlling shareholder more than five years ago, or is otherwise exempt from estate duty, the shares can be sold to the trustees of such a settlement. Alternatively, the purchase of shares might be financed by a loan from the vendor, instead of by a cash gift from him. The unpaid balance of the loan would be dutiable on the lender's death at any time. If it is an unsecured loan, and the period of repayment is a long one, the loan would probably be valued for estate duty purposes at some discount from its face value, on the principle that it has to be taken at the figure which a hypothetical open-market purchaser would give for it.

63. Avoiding action on the lines described in the last paragraph and in paragraph 58 (b) and (g) above may invite counteraction on the part of the Inland Revenue by the application of the provisions relating to estate duty on companies.<sup>39</sup> This course is open to them if, and only if, the deceased was a person who made a transfer of assets to the company however long ago, i.e. by transferring cash or other property to the company in exchange for shares,

debentures or other rights. If the controlling shareholder never made such a transfer, e.g. because he acquired his interest by purchase or inheritance, Section 46 has no application. Where it has, the charge is on a slice of the company's assets arrived at by dividing the aggregate "benefits received" by the deceased in the last five accounting years by the aggregate net income less losses of the company in the same period. Since, in arriving at the "benefits received," all benefits which the deceased did not receive, but could have obtained by virtue of controlling the company, have to be included, and sales or gifts of shares or debentures during the five-year period or conversions of ordinary into preference shares at any time are to be ignored, the slice which is dutiable on the death of a person who had control is often not much less than the whole of the company's assets. But against this are to be set two important reliefs:

(i) the dutiable slice attributable to benefits from shares, debentures or other rights which the deceased had in consideration of the transfer of assets made by him, cannot exceed the difference between—

(a) the value of the property transferred, valued at the date of transfer, with interest thereon at the "average rate" from the date of transfer to the date of death; and

(b) the aggregate benefits which the deceased actually had (as distinct from those he could have obtained) during that period.<sup>40</sup>

The "average rate" is the average net income less losses of the last five accounting years divided into the value of the company's assets. Granted that in the case of a successful company, the average rate may be high, and the deduction under (b) low because profits were in fact ploughed back, the total value of the property transferred to the company (presumably when it was founded) is often so low as to make this limitation most effective in reducing the dutiable slice;

(ii) the dutiable slice, so far as attributable to benefits from shares or debentures (excluding therefore other types of benefit such as excessive remuneration), is to be reduced by—

(a) the value of the company's shares or debentures passing on the death by reason of being still held by the deceased or liable as a gift *inter vivos*, or which would so pass but for an exemption;<sup>41</sup>

(b) in regard to shares or debentures sold during the five-year period, the higher of the consideration received by the

<sup>37</sup> *Potter v. C.I.R.*

<sup>38</sup> Finance Act, 1947, Section 38 (8), negating *Sneddon v. Lord Advocate*.

<sup>39</sup> Finance Act, 1940, Section 46 *et seq.*

<sup>40</sup> Finance Act, 1940, Section 51 (1).

<sup>41</sup> Finance Act, 1940, Section 51 (2), as substituted by Finance Act, 1944, Section 38.

deceased, or the value of the securities sold computed as though they actually passed on the death (i.e. the Section 55 value if this would have been appropriate, even though the consideration received was less).<sup>42</sup>

64. It follows that, provided the deceased's benefits did not take the particularly dangerous form of excessive directors' remuneration, the effect of a Section 46 charge is often not as material as might appear at first sight.

65. On the other hand, reconstructions of controlled companies involving the sale at an undervalue of the controlled company's undertaking to a new company, in which the former controlling shareholder has a minority interest or no interest, are definitely caught on death within five years. This is not on account of Section 46 but because the sale at an undervalue is regarded as a gift made by the controlling shareholder in so far as he has a smaller interest in the new company than in the old one,<sup>43</sup> unless no relative of his is at the time or subsequently a member of the new company.

#### Foreign property

66. All property situate in Great Britain is liable to estate duty when it passes on a death, whatever may have been the domicile of the deceased, subject only to the statutory exemptions.

67. Property situate outside Great Britain is exempt from estate duty here provided the law regulating its disposition or devolution is foreign, and provided one of the following conditions is satisfied:

- (a) that the deceased was not domiciled in Great Britain at his death;
- (b) that the property passes under a disposition made by a person who was domiciled outside Great Britain at the time when it takes effect and did not make it at the expense of a person who at that time was domiciled in Great Britain;
- (c) that the property is immovable—i.e. generally freehold or leasehold land and buildings.<sup>44</sup>

68. If the property passes only as a gift *inter vivos*, it is not necessary to show that the law regulating its disposition is foreign. It will be exempt if any of the other conditions is satisfied.<sup>45</sup>

69. The exemption from estate duty of immovable property outside Great Britain, even when it passes on the death of a person domiciled here, is well

known. It derives from the rules quoted above, but a recent case<sup>46</sup> shows that where foreign land is expressly made the subject of a United Kingdom trust, the exemption may not be available, because the first condition, that the law regulating the disposition or devolution of the property should be foreign, may not be satisfied. The question whether property is immovable or not is decided by the law of the country where it is situated. In some countries the definition includes mortgages.

70. A gift *inter vivos* of foreign assets (even though they are made the subject of a United Kingdom trust) is exempt on the donor's death within five years, provided the donor was domiciled abroad either at the date of the gift or at the date of death.

71. Foreign assets of a person domiciled abroad, and forming part of his free estate, are also exempt under the foregoing rules. Only the assets situated in the United Kingdom would be liable in such circumstances.

72. As regards the liability to estate duty of foreign assets passing on the death of a person domiciled in this country as part of his free estate, the foregoing rules provide no protection, even where such assets were acquired by gift from a donor domiciled abroad, but the position is quite different if the gift took the form of a foreign settlement. If a person domiciled abroad wishes to make any gift or bequest in favour of persons domiciled in Great Britain, he should be advised to do so by way of a foreign settlement. The trustees should be given wide discretionary powers, but the trust should be capable

of remaining in existence for as long as the local law may allow. While the funds are subject to a foreign trust, and so long as they remain invested in assets which are technically situate abroad, there will be complete freedom from estate duty on the death of any beneficiary resident in this country. There may moreover be substantial advantages in the field of income tax, surtax and exchange control in the adoption of this method.

73. The question whether, for the above purposes, property is regarded as being situate inside or outside Great Britain is highly technical, the list below being only a rough-and-ready summary.

74. These rules are sometimes varied by the double taxation agreements in the field of death duties which have been concluded between the United Kingdom and a number of countries.

#### Exempt government securities

75. Certain government securities, such as 3½ per cent. War Loan and certain issues of Defence and Savings Bonds, and National Savings Certificates, are exempt from estate duty if beneficially owned by a person domiciled and ordinarily resident outside the United Kingdom. The person who must fulfil the qualification is the person in whose beneficial ownership the securities were immediately before the death, i.e. normally the absolute owner, or life-tenant. In the case of a gift, however, the relevant person is the donee, so that a gift to a person who is neither domiciled nor ordinarily resident in this country can be taken out of the five-year

#### Type of Asset

Tangible assets—chattels, coin, bank notes, etc.  
Registered or inscribed securities (including shares registered in the name of a nominee or marking name)

Bearer securities, and share certificates which can be transferred by delivery alone (without registration)  
Share in partnership  
Patent  
Debts under contract

Specialty debts (i.e. those for which a contract under seal is required, e.g. certain debentures, assurance policies or mortgages). This category includes, rather curiously, 4 per cent. Victory Bonds, Defence Bonds, and Tax Reserve Certificates

#### Situation

Wherever they are physically situated

Where the register on which they are transferable is kept. This may be a branch register, if that is the only one where effective transfer can be made, e.g. a Dominion register under the Companies Act, 1948, Sections 119–121

Where the document of title is kept

Where the business is carried on  
Where it is operative  
Where the debt is recoverable, i.e. generally where the debtor resides  
Where the document of title is kept

<sup>42</sup> Finance Act, 1950, Section 47; Finance Act, 1952, Section 72.

<sup>43</sup> Finance Act, 1940, Section 44, as amended by Finance Act, 1950, Section 46.

<sup>44</sup> Finance Act, 1949, Section 28 (2).

<sup>45</sup> *Phillips-Stow v. C.I.R.*

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period, by being in the form of one or other of the exempted securities, but these must be retained by the donee until after the donor's death or the expiration of the five-year period.

#### Quick succession relief

76. The Finance Act, 1958, Section 30 and the Eighth Schedule, introduced an important extension of the former limited type of relief which was restricted to interests in land or a business or to shares and debentures which fall to be valued under the Finance Act, 1940, Section 55. For deaths taking place after April 16, 1958, the new relief applies to all kinds of property, and a new rate of 75 per cent is introduced where the second death takes place within three months of the first. Moreover, the relief applies to property passing as a gift *inter vivos*, whereas it was formerly restricted to property which passed on the death to the second deceased. Relief is given on all property which can be identified as having passed on both deaths, but the provisions

for tracing property from one death to the second are drawn in favour of the taxpayer, e.g. by identifying proceeds of sale of an asset with the asset itself.

77. From a practical point of view, in advising on estate duty questions, these provisions are helpful in cases where the person concerned has no young relatives whom he wishes to benefit. In such cases the obvious way of reducing the potential liability was to divide the estate between husband and wife, but where their ages were similar, there was always the risk of double estate duty being payable if both deaths took place within five years. As between husband and wife this risk could only be eliminated by settling the gift, which was not always desirable, and as between other persons no means of avoiding it (except by discretionary settlement) were available. The new extended relief does not eliminate the risk, but reduces it in proportion to the lapse of time.

#### Simultaneous deaths

78. Similarly the Finance Act, 1958,

Section 29, removes the possible double liability to estate duty where two persons died in circumstances which made it uncertain which of them survived the other. The presumption that the younger survived the elder is replaced by the rule that both are to be treated as having died at the same instant and as if all property had devolved accordingly. Any well-drawn will should, of course, contain suitable provision for such an eventuality if a potential beneficiary is likely to accompany the testator on journeys (or other hazardous pursuits).

#### Legatee predeceasing testator

79. The same Section removes the liability to estate duty which arose in the past in cases where the Wills Act, 1837, Section 33, applied to save from lapsing a legacy to a child or other issue of the testator who had predeceased the latter. The legacy accrues to the estate of the deceased child or other issue, and was formerly duly made liable to estate duty as having passed on that death. This liability is now eliminated.

## Taxation

### Share Option Contracts

THE BAROMETER SEEMS set fair for an extension of employee shareholdings in the employer company by one means or another. Interest has recently been focused on factory "shops," where the employee can purchase shares in convenient form—they may be bearer shares subject to lower stamp duties than registered shares—in the company employing him. Or the shares may be in some other company which is a participant in a collective scheme on the lines of that recently inaugurated by Tate and Lyle, Ltd., and said to be under consideration by the Boards of other companies.

Sometimes, however, shares are given to employees—usually higher-paid ones—without payment. Then the benefit conferred may or may not be taxable according to whether it constitutes a personal testimonial or additional remuneration. In *Patrick v. Burrows* (1954, 35 T.C. 138), a director of a company transferred 2,000 shares in the

company to trustees upon trust for such of the employees as the trustees (the other directors) might from time to time select in consideration of past or future services. The taxpayer was assessed to income tax under Schedule E in respect of the value of 250 shares transferred to him. The General Commissioners found that the shares were a bounty from the settlor and not from the company, but the Court held that the case was governed by the decision in *Calvert v. Wainwright* (1947, 27 T.C. 475), where the tips of a taxi-driver were held to be assessable to tax.

In the well-known case of *Bridges v. Hewitt* (1957, 37 T.C. 289) the taxpayers were directors of a company which they had served for many years and helped to build up. Most of the shares of the company were held in trust, under the will of the former principal shareholder, for his widow during her life and thereafter for his two sons in equal shares absolutely. In 1945 the sons entered

into covenants under which the taxpayers were each to receive 8,000 shares in the company within three months of the death of the widow. Actually the shares were transferred to the taxpayers in 1953 before the death of the widow. The gifts were held in the Court of Appeal to be non-taxable, but Jenkins, L.J. (as he then was), said, *obiter*, that if the shares had been assessable profits of the directors' offices those profits had been paid, not when the covenants had been made, but when the shares had been transferred to the directors.

#### Options an enforceable right

Directors and higher executives of a company are often afforded the opportunity, either as a reward for past services or as a stimulus to future endeavour, of acquiring shares in the company on advantageous terms through the medium of options; or the conferment of option rights over a given number of shares may be used as an inducement to attract outside managerial ability. Although it is not uncommon to speak of the "granting of an option," a contract of option is a contract recognised by the common law, a breach of which gives rise to an action for damages. If there is no deed of grant the contract, to be enforceable, must be one for valuable consideration.

The option itself may take different forms. It may confer the right to acquire shares in the company at their par value at a time when the market value of the shares is considerably higher, as in *Weight v. Salmon* (1935, 19 T.C. 174) and *Ede v. Wilson and Cornwall* (1944, 26 T.C. 381), or at a price somewhat less than the market price, as in *Bentley v. Evans* (1959, T.R. 117). On the other hand, the price to be paid for the shares under the option agreement may be the market price of the shares at the time the offer is made to the option-holder by the company—then the option continues for a number of years, as in *Abbott v. Philbin* [1959] 2 All E.R. 270; T.R. 103. Usually the option is not transferable; sometimes, as in *Ede v. Wilson and Cornwall*, restrictions are placed on the disposal of any shares acquired. Again, it is material, from the taxation standpoint, whether the option is granted in respect of shares in the employer company or some other company, such as the parent company; whether the right is given under a service agreement or independently of a service agreement; whether or not the option is purchased for cash, and the date on which a legally enforceable right becomes vested in the option-holder.

#### Shares at par value

It will be convenient to consider first the two cases in which the taxpayer acquired his shares at their par value. In *Weight v. Salmon* the respondent was managing director of a company and entitled under a service agreement to a fixed salary. Each year, by resolution, the directors of the company gave him in addition the right to apply for a number of unissued £1 shares in the company at par, as compared with a market price of £4 each for the issued shares. These shares he applied for and they

were duly allotted to and taken up by him and in fact retained rather than sold. In an appeal against an assessment to tax in respect of the difference between the par value and the market value of the shares it was held, distinguishing *Tennant v. Smith* (1892, 3 T.C. 158), that the difference represented money's worth and was taxable. Lord Atkin said:

We have not . . . to consider the meaning of the word "perquisites" (appearing in r. 1 of the Rules applicable to Schedule E) because "perquisites" received a definition in the Income Tax Act of 1842; it received another statutory definition in the Income Tax Act, 1918, and now that assistance has been withdrawn from the Courts because the statutory definition has been repealed.

In *Ede v. Wilson and Cornwall* the respondents were senior officials of H company which was a subsidiary of A company. At an extraordinary general meeting of A company it was resolved to issue bonus shares to its shareholders and also to offer certain further shares on bonus terms—one Ordinary share for every two Ordinary shares held, at par (£1) instead of at market value (£4 10s.). Some 5,700 of these shares were left over and it was decided to allow the senior officials of A company and its subsidiaries to subscribe for the remaining shares at par. Both respondents took up and paid for their allotted number of shares and verbally agreed not to part with the shares without the permission of the directors of A company so long as they remained servants of H company. The shares were held to be assessable to tax because, although of restricted value because of the clog on sale, they were nevertheless saleable with the consent of the directors, or even without consent at the possible risk of dismissal, and so were of pecuniary value. The case was accordingly sent back to the Commissioners (who had allowed an appeal by the taxpayers) to decide the proper amount of the assessment having regard to the restriction on sale.

#### A Scottish case

In *Forbes' Executors v. Inland Revenue Commissioners* (1958, 38 T.C. 12), the taxpayer was managing director of two companies. In 1944 he entered into a service agreement with them (in renewal of an earlier agreement) under which he was given the right, so long as he remained managing director, to apply for and be allotted up to 10,000 shares in either or each of the companies, on payment of the par value of the shares. In 1946 he applied for and was allotted 10,000 shares in one company and 8,000 shares in the other company. Both in 1944 and in 1946 the market value of the shares was above their par value. After his death the taxpayer's estate was assessed to income tax for 1946/47 on the difference between the market value and the par value of the shares. In the Court of Session the executors' only contention was that the taxable benefit arose when the option was conferred in 1944 and not when it was exercised in 1946. The Court held that the right was one of applying for shares and not a right to shares which could be disposed of or sold. It was not a right which had, as such, any pecuniary value and a taxable benefit only emerged on the subsequent



exercise of the right by application for and allotment of the shares. The assessment was therefore upheld.

#### Purchase of an option

The facts in *Abbott v. Philbin* were different and this case (unless reversed on appeal) affords some useful general guidance on the way in which an option should be arranged where the taxpayer is a heavy surtax payer and so unlikely to derive much benefit from the right to acquire shares at par when the market price is higher. But this statement is subject to qualification. The question on what principle an option to acquire shares at the market price is to be valued was not before the Court, so that the judgment throws no light on the matter. Indeed (as appears from the judgment) it may be that such a right cannot be taxed at all owing to the difficulties of valuation, and, if that is so, it is all to the good from the standpoint of the option-holder.

By letter dated October 6, 1954, the directors of a company offered to the taxpayer, at the price of £1 for every 100 shares involved, an option to subscribe for 2,000 Ordinary shares of £1 each in the company at the then market price of 68s. 6d. a share. The option was not to be transferable and was to expire in ten years' time or on earlier death or retirement. The next day the taxpayer sent in an application "to purchase an option upon the terms set out in the company's letter of October 6, 1954, to subscribe for up to 2,000 ordinary shares in the company" and enclosed his cheque for £20 which was duly cashed by the company. On May 6, 1955, the taxpayer received an option certificate which stated on the face of it that the option was granted on October 6, 1954, but this date should have read October 7, 1954, when the agreement was completed.

In March, 1956, the taxpayer exercised in respect of 250 shares the option which he had acquired, and by that time the price of the company shares had risen in the market to 82s. He was assessed to income tax under Schedule E for the year 1955/56 in respect of the increase in value of the shares less a proportion of the £20 option payment. It was not disputed that the value of the option was taxable, but the taxpayer contended that any assessment in respect of it should be for the year 1954/55 and that the increase in value of the shares was not an emolument of his office. The Special Commissioners considered that the case was indistinguishable from *Forbes' Executors v. Inland Revenue Commissioners* (except that Mr. Forbes had been given his option) and arrived at their decision on that ground.

Roxburgh, J., held that the option, which was a contract for value to allot shares on application for them and was a chose in action, was a perquisite of the taxpayer's office within the first of the Rules applicable to Schedule E, and since the option could have been realised at or soon after the date of contract of option (October 7, 1954), any assessment of it to income tax as a perquisite fell to be made in the year of assessment 1954/55. Further, any increase in value of the chose in action was of a capital nature, not of a revenue nature, and thus the

increase in value of the shares acquired by the exercise of the option was not taxable as additional remuneration of the taxpayer.

#### Additional remuneration and perquisites distinguished

At first sight it would appear that this decision runs counter to the decision of the Court of Session in *Forbes' case*, but Roxburgh, J., was able to distinguish that case on more grounds than one. His Lordship said that not only were Scottish decisions not binding in England but they were not followed, even as a matter of comity, where there was a possibility that Scottish law might differ from English law. With certain immaterial modifications, however, the Income Tax Acts applied to both England and Scotland, and he had always recognised that he ought, if possible, to follow the decision of a Scottish court on the construction of the Income Tax Acts. But it was important in *Forbes' case* to realise what the document was on which the question was raised. It was a service agreement. In his judgment the Lord President had said:

In my opinion the right which Mr. Forbes obtained on signing the agreement in 1944 was a right merely to apply for the shares; it gave him no right in or to any shares, for this could only emerge when he had exercised his right and when he delivered to the company the par value of the shares he demanded.

That, Roxburgh, J., assumed, was a proper statement of Scottish law, but he could not accept it as a proper statement of English law. Sitting in an English court he would have construed *Forbes' option contract* (contained in the service agreement) as a contract for value to allot shares on application and payment for the shares—the right to the shares emerging from the contract itself. He would not have construed it, as Lord Carmont appeared to have done, as containing a continuing offer which did not give any rights until the continuing offer was accepted by the employee, not by accepting the contract, but by exercising the option.

It was true that rule 1 of the Rules applicable to Schedule E grouped together for the purposes of taxation a number of "transactions or happenings" essentially different in character, but that did not mean that for all purposes salaries and perquisites had essentially the same characteristics. Salaries, whether original or additional, were revenue items, but transactions in relation to shares were generally capital items. In *Forbes' case*, since the option arose out of a service contract, the benefit of it was in the nature of additional remuneration and it was impossible to treat additional remuneration on a different basis from primary or principal remuneration. In *Abbott's case* the option was not a reward for services, although it was derived as a result of the taxpayer's employment with the company, "but was a thing that was bought," and an employee did not have to pay for his own remuneration. A perquisite was not in any sense remuneration for services, and the shares which Abbott obtained might have gone down in value and so far from bringing in additional remuneration might have resulted in a loss.



### Shares in parent company

In *Bentley v. Evans* the taxpayer was an employee of a wholly-owned English subsidiary of a Canadian parent company which offered to its employees and the employees of its subsidiaries shares of its capital stock at reduced prices up to a maximum number fixed by reference to current remuneration. To accept that offer an employee had to sign an election to purchase the shares offered him and deliver it to his employer on or before October 30, 1953. Payment could be made in full or by instalments and the instalments could be by way of payroll deduction. The shares were to be issued three at a time as soon as sufficient funds had been received by payroll deduction to pay for them. The taxpayer elected to purchase fifteen shares on October 7, 1953, and authorised the necessary deductions from his salary. He received three shares in each of the months of March, July and October, 1954, and in November, 1954, he paid cash for and received the remaining six shares. The shares were freely transferable as soon as they had been paid up and issued. Again Roxburgh, J., held that the benefit which the taxpayer received was a perquisite (he was employed by a subsidiary company) and that the option contract was

completed on October 7, 1953, when the taxpayer elected to purchase the shares and authorised a payroll deduction (which was the consideration money from him) and so bound the parent company to allot him the shares at a reduced price.

It is interesting to compare *Bentley v. Evans* with *Abbott's* case. But *Abbott's* case is the more important and from it four main points emerge:

(i) Decisions of the Scottish courts on income tax matters must be scrutinised with care to ascertain whether the decision turns on the construction of the Income Tax Acts or on some point in Scottish law, such as the construction of a service agreement;

(ii) there is an important distinction between perquisites and additional remuneration.

(iii) the benefit of an option contract stems from the contract itself and not from the exercise of the option;

(iv) an option contract to allot shares on application at the market price ruling at the date of the contract may result in the value of the perquisite being incapable of valuation and so confer the greatest benefit on the option-holder. But on this last point the future will probably shed fresh light.

## The Eireann Finance Act

THE PROCESS OF introducing important provisions of the United Kingdom (U.K.) Income Tax Acts into Eire which was accelerated in 1958 has received another boost in 1959. The Irish Finance Bill this year ran to nearly sixty pages of foolscap.

The main amendments are as set out below.

### (1) Rates of income tax

The standard rate of income tax for 1959/60 is reduced to 7s. 0d. in the £, and the reduced rates become £100 at 2s. 9d. and £100 at 5s. 6d.

### (2) Surtax starting point and rates

The starting point for surtax for 1959/60 is raised from £1,500 to

£2,000. The only alteration in the rates is the deletion of the £500 at 9d.

### (3) Manner of giving reliefs for Surtax

Personal reliefs are deductible from total income for 1958/59 onwards for surtax purposes. Unlike the provision in the U.K. Acts, the single person's allowance is deductible; as in the U.K., the additional personal allowance is not. Where a non-resident is entitled to personal reliefs, they are to be reduced in the proportion that they are reduced for income tax purposes.

In separate assessments the reliefs are given as follows:

(a) The allowance for a child who

is in the custody of and maintained by the taxpayer, that for dependent relatives and that for a daughter or son on whom the taxpayer has to rely because of old age or infirmity, are given to the spouse who maintains the person in respect of which the claim is made.

(b) All other allowances are apportioned in proportion to the respective incomes of the spouses. Should the deductions appropriate to one spouse exceed his or her income, the excess is given to the other spouse.

### (4) Child allowance

A child undergoing full-time training by any person for any trade, profession or vocation for a period of not less than two years will rank for child allowance subject to the usual limit that his income does not exceed £60 excluding scholarships, etc.

### (5) Covenanted subscriptions

Covenanted subscriptions for teaching of natural sciences are to be operative for tax purposes if for a period of three years or more.



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**(6) Bond washing**

"Bond washing" is attacked in a manner similar to that in the U.K. Finance Act, 1959 (see ACCOUNTANCY, May, 1959, pages 263-4).

**(7) Dividend stripping**

To remove doubts, an agreement between Eire and the U.K. is confirmed to prevent "dividend stripping" by a company resident in one country which acquires shares in a company resident in the other.

**(8) Annuities**

The capital element in purchased life annuities (other than those purchased as a result of a will or settlement or under any sponsored superannuation scheme) is to be exempt from tax.

**(9) Capital allowances**

The following capital allowances are introduced for 1960/61 onwards, to be given in the same way as wear and tear allowances:

*(a) Capital expenditure on industrial buildings or structures (including docks, etc.) or on dredging, incurred on or after September 30, 1956.*

An annual allowance of two per cent. of the expenditure until the cost is wholly written off (initial allowances of 10 per cent. were provided by the Finance (Miscellaneous Provisions) Act, 1956; these are now extended to dredging). Balancing allowances or charges will take care of any underallowance or overallowance on a sale before the cost has been completely written off.

(The mills, factories, etc., allowance is increased to one-third of the Schedule A value and is to apply to any industrial building, but if the building attracts an annual allowance the deduction in the accounts for annual value will be the annual value as reduced by the one-third.)

*(b) Machinery or plant*

Balancing allowances or charges are to adjust any deficiency or excess of the proceeds of sale below or over the written-down value. A balancing charge may be set against the cost of new plant, etc., which replaces existing plant, etc. There are provi-

sions in certain circumstances for bringing in market value as if it were the proceeds of sale: these provisions are designed to prevent abuse of the reliefs. A lessor of plant, etc., who has to bear the burden of the wear and tear thereof becomes entitled to wear and tear allowances. The new provisions apply also in relation to professions, employments, vocations and offices, but not to the occupation of lands (including woodlands).

*(c) Patents*

A purchased patent is allowed to be written off by one-seventeenth of its cost for each year of the first seventeen of its existence (by equal instalments over any lesser period for which the rights have been bought, or over so many of the seventeen years as remain after the purchase). Provision is made for balancing allowances and charges. Capital sums received for the sale of patent rights (less capital sums paid for them) are treated as income to be spread over six years of assessment, unless the recipient opts to have the whole assessed in the one year. In a case of hardship, the Revenue Commissioners may spread the amount over some period other than six years. Non-residents are liable on the sale of an Eireann patent. The new provisions do not apply to patent rights which have been the subject of a sale for a capital sum before April 6, 1960. If the patent rights were bought after April 5, 1959, for the purposes of a trade carried on or about to be carried on by the purchaser and no part of the rights has been sold, the expenditure will be deemed to have been incurred on April 6, 1960.

The costs of devising and obtaining patents are to be allowed as a deduction in computing profits. The deviser of an invention is entitled to earned income relief on the income from the patent rights. Patent royalties may be spread over six years or, if shorter, the period of use.

With a few minor differences, the provisions follow closely those applicable in the U.K. All capital allowances are available for Corporation Profits Tax (C.P.T.); the allowances (and balancing charges)

are apportioned to fit the accounting period which falls into the respective years of assessment.

**(10) Relief for exports**

The relief from income tax for profits on exports is extended to repairs carried out by a company in Eire to a ship owned by persons not ordinarily resident in Eire. It can also be claimed on ships built in Eire.

**(11) Recruiting and training costs**

The cost of recruiting and training of persons the majority of whom are citizens of Eire prior to commencement, on or after April 6, 1959, of a trade producing manufactured goods is to be allowed as a deduction in the assessments, in the same way as wear and tear allowances, as to one-third in each of the first three years of assessment. For C.P.T. one thirty-sixth of the expenditure is allowed for each of the first thirty-six months of trading.

**(12) New mining**

The provision for relief for new mining operations (excluding coal-mining) is amended to extend to ten years from April 6, 1956, the period in which the new mining operations have to start.

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## Taxation Notes

### Appeals

A few thoughts on our tax appeal system:

(1) If a panel of Commissioners is equally divided the practice is either to find in favour of the taxpayer or to require a fresh hearing before a new panel. But, as Section 52 (5) of the Income Tax Act, 1952, says: "If on an appeal it appears to the majority of the Commissioners present at the hearing . . . that the appellant is overcharged by any assessment . . . the Commissioners shall abate or reduce the assessment . . . accordingly, but otherwise every such assessment . . . shall stand good," the proper decision in the event of a tie may be that the appellant has failed to satisfy a majority and so loses his case.

(2) Why do we continue to tolerate the appearance of confusion between the Special Commissioners in their administrative capacity and the Special Commissioners in their judicial capacity? We know that they are in fact two different sets of individuals; it would be simple to change the statutory name of one or the other. It is, surely, undesirable that there should be even the appearance of the Crown being judge in its own cause.

(3) How long must we wait for an estate duty appeal procedure in relation to all types of assets comparable in speed, informality and cheapness with the income tax appeal procedure?

### Capital Allowances for Industrial Buildings

Some unexpected results can arise in connection with these allowances, as will be seen from the following illustrations:

#### Illustration (1)

AB., who had an old-established manufacturing business, erected a new factory which was paid for at the due dates on the architects' certificates: September 15, 1945, £5,000; December

18, 1945, £15,000; June 18, 1946 £2,000; and August 20, 1946, £4,000 His accounts were made up by AB. to June 30 and he started using the factory on September 1, 1946. From June 1, 1951, to September 30, 1955, the building was put out of industrial use, but on October 1, 1955, it started up again as a factory. Then, on October 1, 1958, it was sold to CD., who commenced a new manufacturing business in it immediately, the price being £23,000 (plus site value £4,000); CD. made up his accounts yearly to September 30. Business was carried on by AB. in other factories.

|   | £            | £            |
|---|--------------|--------------|
| <i>Vendor</i>                               |              |              |
| Cost, year ended June 30, 1946 ..           |              | 22,000       |
| 1947/48 initial allowance .. ..             |              | 2,200        |
|   |              | <hr/> 19,800 |
| Cost, year ended June 30, 1947 ..           |              | 4,000        |
|   |              | <hr/> 23,800 |
| 1948/49:                                    |              |              |
| Initial allowance                           | 400          |              |
| Annual allowance                            | 520          |              |
|   |              | <hr/> 920    |
|   |              | 22,880       |
| 1949/50 to 1951/52                          |              |              |
| 1957/58 to 1959/60                          |              |              |
| 6 annual allowances of £520                 | 3,120        |              |
| 1952/53 to 1956/57                          |              |              |
| 5 notional allowances of £520 ..            | 2,600        |              |
|   | <hr/> 5,720  |              |
|   |              | 17,160       |
| Proceeds .. ..                              |              | 23,000       |
|   |              | <hr/> £5,840 |
| 1960/61 balancing charge 7/12 × £5,840 = .. |              | £3,406       |
|   |              | <hr/>        |
| <i>Purchaser</i>                            |              |              |
|   | £            |              |
| Residue before sale                         | 17,160       |              |
| Balancing charge                            | 3,406        |              |
|   | <hr/> 20,566 |              |

|                             |               |
|-----------------------------|---------------|
| Annual allowances to CD.    |               |
| 1958/59 to 1996/97          |               |
| 38 allowances of £528 .. .. | 20,064        |
| 1 (final) of ..             | 502           |
|                             | <hr/> £20,566 |

It must be borne in mind that the initial allowance is given in the year of assessment in the basis period for which the capital expenditure is incurred (that is, became due for payment), but the annual allowance can be given only if the industrial building was in use as such at the end of the basis period. The factory here was first used in the year of assessment 1946/47, but in the basis period for 1948/49 (the year ended June 30, 1947). There are annual allowances in all for 46 years and notional ones written off for 5 years. Had the factory started to be used before June 30, 1946, and been in use as such for the whole period, there would be 52 annual allowances in the 50 years of assessment following that in which it was first used, owing to the overlap of basis periods.

The converse position will be seen in the next illustration.

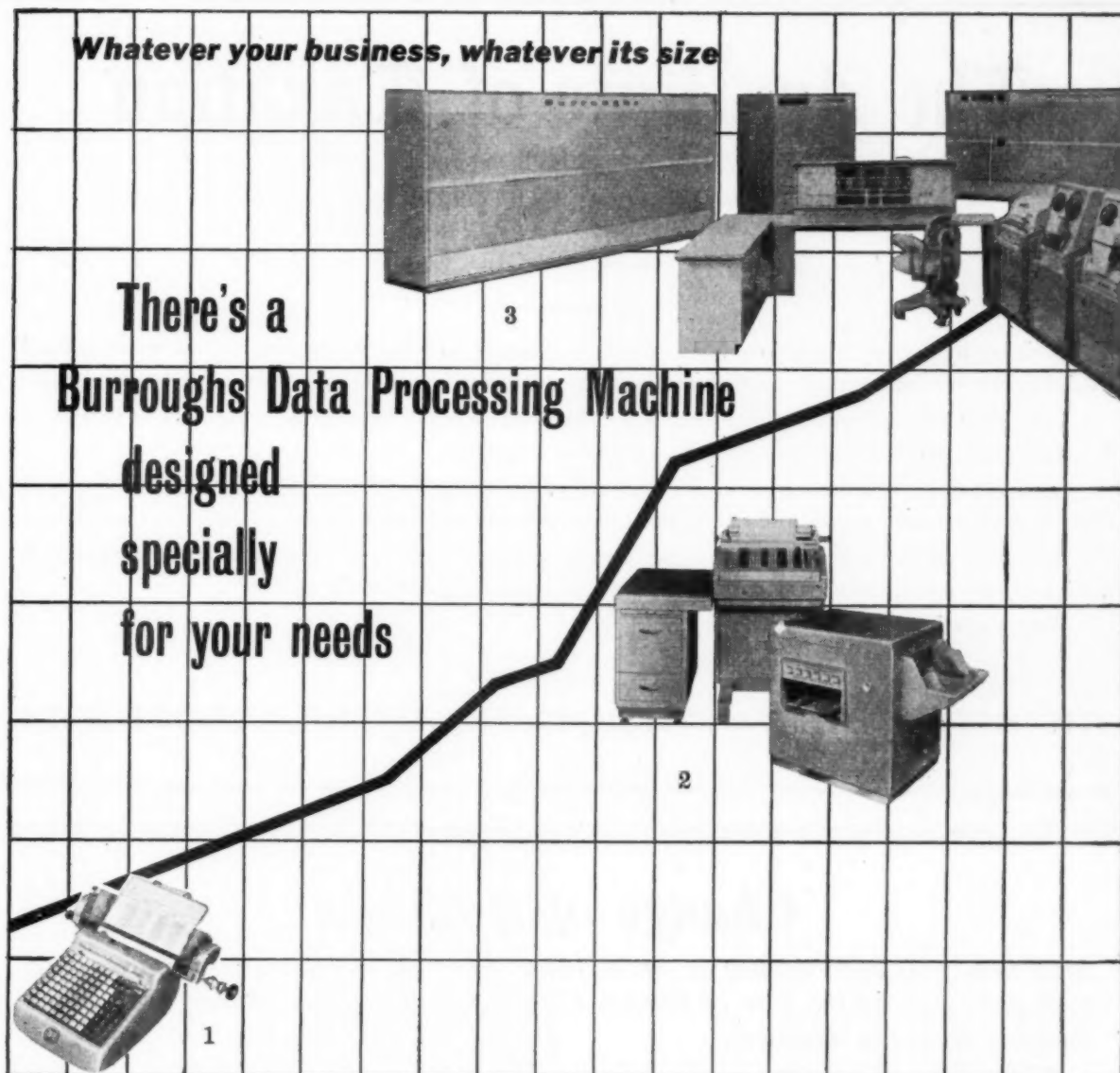
#### Illustration (2)

Assume similar facts to those in illustration (1) with the exception that the factory was used as such throughout. AB. discontinued business on September 30, 1958, and CD. was already carrying on a manufacturing business.

|                                    | £           | £            |
|------------------------------------|-------------|--------------|
| <i>Vendor</i>                      |             |              |
| Cost, year ended: June 30, 1946 .. |             | 22,000       |
| June 30, 1947 ..                   |             | 4,000        |
|                                    |             | <hr/> 26,000 |
| 1947/48 initial allowance .. ..    | 2,200       |              |
| 1948/49 initial allowance .. ..    | 400         |              |
| 1948/49 to 1958/59                 |             |              |
| 11 annual allowances of £520 ..    | 5,720       |              |
|                                    | <hr/> 8,320 |              |
|                                    |             | 17,680       |
| Proceeds .. ..                     |             | 23,000       |
|                                    |             | <hr/>        |
| 1958/59 Balancing charge .. ..     |             | 5,320        |
|                                    |             | <hr/>        |

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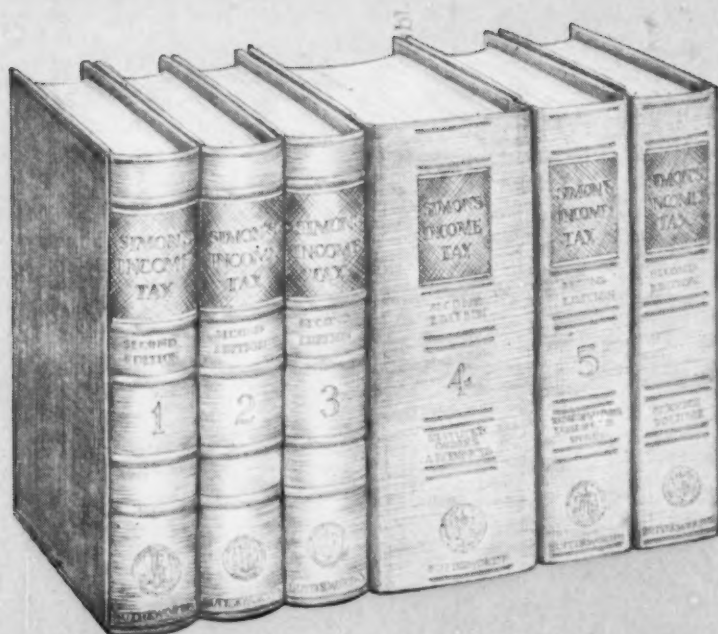


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In this case, there are only 48 annual allowances in the 50 years.

**Business Deductions**

The Canadian Tax Foundation has issued a 35-page booklet by Gwyneth McGregor entitled *Business Deductions under the Income Tax*.<sup>\*</sup> The booklet sets out the background to the present practice in the United Kingdom and Canada on allowable deductions for tax purposes in computing the profits of a business enterprise. The general proposition that the taxation statutes vary accountancy principles, by which profits must be ascertained, is discussed and illustrated with United Kingdom and Canadian references.

The statutory provisions in the United Kingdom and Canada are compared in seven pages. As would be expected, considering that the Canadian Acts were originally based on English jurisprudence, many of the provisions in the Income Tax Acts of both countries are similar. In view of the many difficulties caused to practitioners, however, as a result of Lord Davey's dictum in *Strong v. Woodfield* [1906], 5 T.C. 215, that it is not good enough that the disbursement is made in the course of, or arises out of, or is connected with the trade, but must be incurred in the actual process of earning income, it is interesting to know that the Canadian Income Tax Act permits the deduction of expenses to the extent that they are made or incurred by the taxpayer for the purpose of *gaining* or producing income from property or a business of the taxpayer.

An example of the differences between the tax provisions of the two countries is that the Canadian Income Tax Act specifically prohibits the deduction of unreasonable ex-

penses (in one case the amount of certain advertising expenditure was considered unreasonable and reduced). A further example is that a depletion allowance is granted; it can be claimed by businesses owning oil and gas wells, metalliferous mines and timber limits or by shareholders in those concerns.

A selection of the cases that have arisen in the United Kingdom and Canada on the statutes completes a useful summary of the present position in the two countries. In the last two pages the author gives a list of items of expenditure which may be said to be necessary for the business but which the Canadian Act does not allow to be charged in computing profits, and suggests that relief should be given. Finally she advocates that the law in the United Kingdom and Canada should be overhauled to give a more liberal interpretation of the allowable deductions, both of revenue and capital items, in computing profits for taxation purposes. Practitioners would no doubt agree, but working in a contrary direction are the many contentions, usually of a popular or political kind, that are nowadays urged to the effect that allowable deductions under Schedule D, Cases I and II should be restricted to those under Schedule E.

**The Elimination of Double Taxation**

The Fiscal Committee of the Organisation for European Economic Co-operation has published its second report on *The Elimination of Double Taxation* (obtainable from H.M. Stationery Office at 5s. net). The report, together with the appendices, runs to 46 pages.

Before giving its further recommendations, the Fiscal Committee notes that many governments have incorporated in the bilateral conventions between them the four articles covered in the first report (issued in July, 1958) which covered the list and definition of taxes dealt with by the convention; the definition of permanent establishment; the definition of fiscal domicile; and tax discrimination on grounds of nationality or other similar grounds.

In the second part of the report,

the Fiscal Committee sets out articles covering the taxation of income from shipping, inland waterways transport and air transport; taxation of income in respect of independent and dependent personal services; taxation of income from immovable property; and the taxation of capital. As indicated in the report, these articles have been drafted to enable the various member companies to standardise their bilateral conventions.

The proposed article relating to the taxation of income from shipping, inland waterways and air transport reserves the right to tax the income from the operation of ships and aircraft to the contracting State in which is situated the place of effective management of the enterprise. The articles on the taxation of income in respect of independent and dependent personal services broadly determine that liability shall accrue in the State where services are performed, except where employments are for a short duration abroad or in respect of certain governmental functions. The article relating to the taxation of income from immovable property provides that the definition of immovable property shall be determined by the laws of the State in which the property is situated. Finally, the booklet is completed by a draft article relating to the taxation of capital which reserves the right to levy taxes on capital to the State which is entitled to tax the income therefrom.

The Fiscal Committee is pursuing the drafting of articles relating to the taxation of royalties, dividends and interest; the technical methods of avoiding double taxation; the definition and allocation of profits between the head office of an enterprise, its permanent establishments and its subsidiaries; and the structural and general provisions of the convention.

It is to be hoped that all countries, where necessary, will amend their conventions on the lines contained in the reports of the Fiscal Committee.

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<sup>\*</sup>Price 5s.

sum is paid in commutation of or in lieu of an annuity, income tax on the amount is payable by the trustees at one-fourth of the standard rate for the year in which the repayment or payment is made (S.R. and O. 1921, No. 1699; 1931, No. 638). The tax is calculated on the actual refund or commuted amount; for 1959/60, one-fourth of 7s. 9d. gives a rate of 1s. 11½d. Tax is not deducted if the employment was abroad.

Where funds deduct from refunds or commutations the amount of the tax applicable thereto, the Inland Revenue still collect the tax on the net amount paid, so that for 1959/60, the amount deductible from the gross sum is 37/351 or 0.0883191 per cent. of the gross (approximately 1s. 9d. in the £).

#### Illustration

|                                   | £   | s. | d.   |
|-----------------------------------|-----|----|------|
| Refund gross ..                   | 100 | 0  | 0    |
| Tax on net ..                     |     | 8  | 16 8 |
| (0.0883191 per cent.<br>of gross) |     |    |      |
| Actual refund ..                  | 91  | 3  | 4    |

Tax on £91 3s. 4d. is £8 16s. 8d. at 1s. 11½d. in the £.

The *Association of Superannuation and Pension Funds* has circulated to members a pamphlet (C.L. 291) containing further examples and tables showing the tax to be deducted from gross contributions and to be accounted for in net contributions, in each case for each £1 from £1 to £19, with a further table for decimals of £1.

#### Profits Tax—Directors' Remuneration

Following our note in the July/August issue (pages 394–5) we feel that the position regarding the £3,000 limit on directors' remuneration for profits tax may be restated. Section 33 of the Finance Act, 1959, has been misread by more than one person, owing to the words in brackets in sub-Section 1. The sub-Section reads:

Paragraph 11 of the Fourth Schedule to the Finance Act, 1937 (which, as set out in Section 34 of the Finance Act, 1952, limits the deduction which may be made for the purposes of the profits tax in respect of the remuneration of full-time working directors of

director-controlled companies) shall have effect with the substitution for any reference to £2,500 of a reference to £3,000. . . .

The parenthesised words have led some readers to suppose that the increase applies only to a company with full-time working directors. Reference to Section 34 of the Finance Act, 1952, however, makes it clear that £3,000 is substituted for £2,500 even if there are no full-time directors.

The result is that the maximum amount allowable for directors' remuneration in a director-controlled company with no or only one full-time working director is the higher

of £3,000 or 15 per cent. of the profits, with a ceiling of £15,000. If a company has two or more full-time working directors, the figure of £3,000 is increased as shown on page 395 of the July/August, 1959, issue of ACCOUNTANCY. In the case of such a company, therefore, the relief is the higher of 15 per cent. of the profits, with a ceiling of £15,000, or £3,000, which may be increased to  $x$ , the amount of  $x$  depending on the remuneration paid and the restrictions on the total amount paid to any individual full-time director. These were fully discussed in the article in the July/August issue.

## Recent Tax Cases

### Income Tax

*Appeal—Case stated by General Commissioners—Findings not clearly stated—Irrelevant matters considered—Case remitted to Commissioners—Income Tax Act, 1952, Section 52 (5).*

**Fowler v. Wilson** (Ch. [1959] 52 R. & I.T. 391) is another case in which the Commissioners confirmed the assessment on the ground that no evidence had been produced to show it was incorrect or excessive. The taxpayer, who carried on business as a farmer and cattle dealer, was assessed to income tax for the year ended April 5, 1957, in the sum of £7,000. Included in the taxpayer's balance sheet were two items: (i) "receipts re horses," £5,689; and (ii) "expenses re horses," £1,156. The Inspector of Taxes had excluded both items from the assessment as representing betting transactions. On appeal by the taxpayer, the Commissioners stated a case in which they said that the item of £5,689 was composed entirely of betting profits; that the sum of £1,156 was expended almost entirely on the purchase of livestock, and that the betting vouchers produced accounted for only £2,865 of the alleged betting wins of £5,689. They also said that a profit of £21,000 shown in a betting

account with William Hill was made before September, 1949, and that no betting had taken place between that date and March 31, 1956. The Commissioners also stated in the case that the taxpayer's accountant had been recently prosecuted for fraud in connection with the preparation of accounts.

Upjohn, J., said there was great doubt as to what the Commissioners had meant with regard to their findings concerning betting. Had they really meant to find as a fact that the £5,689 receipts had been betting profits and the figure of £1,156 purchases of livestock? In justice to the taxpayer the Commissioners ought to reconsider that matter and express more clearly exactly what they had found about those sums called "receipts re horses" and "expenses re horses." There was also a mystery about the William Hill account which appeared to be a running account with no payments either way; but it seemed on the last page of the case stated that there had been a winning balance due from William Hill on June 28, 1956. The Commissioners might or might not desire to explore the matter further. The fact that a man had been prosecuted for falsification of accounts was something which was irrelevant. It became relevant only if he was convicted and



the statement about the accountant should never have been inserted in the case stated. If the accountant had been convicted the Commissioners could so state and they could take it into account, but not otherwise. There would be a direction remitting the case to the Commissioners with liberty to hear any further evidence they might derive, with costs reserved until a supplemental case was put in.

### Income Tax

*Penalty—Savings bank interest understated in return—Additional assessment for amount understated—Penalty—Fixed Penalty—Treble the tax which he ought to be charged—Whether treble the total amount of tax payable for year of assessment or treble the amount of tax under-assessed as a result of incorrect return—Income Tax Act, 1842, Sections 55, 127—Finance Act, 1923, Section 23 (2)—Income Tax Act, 1952, Sections 18, 19–24, 25 (3), 26, 27, 29, 30, 48, 49, 55, Schedule VI, paragraph 4.*

The facts in *C.I.R. v. Hinchy* (C.A. 1959, T.R. 171) were set out in an article in our issue of January last (pages 21–22), based on the decision of Diplock, J. His Lordship had held that, in the circumstances of the case, since the words used in the statute were "ought to be charged" and not "ought to have been charged" and the penalty proceedings against Hinchy were started after the defendant had been charged (assessed) with all the tax for which he was liable, at the date of the commencement of proceedings no tax remained on which he ought to be charged, so that only the fixed penalty of £20 provided by Section 25 (3) of the Income Tax Act, 1952, was recoverable.

The Court of Appeal did not think that Mr. Justice Diplock's construction of the sub-Section could be correct. It appeared to the Court that the offence was committed either when the false return was received by the Commissioners or when the time for making the return had expired. Subsequent events, whether assessment or payment, were irrelevant. But in order to arrive at the true figure which had to be multiplied by three, assessment was a necessary preliminary and therefore, if Diplock, J., were right, the penalty, apart from the £20, could never be levied. The Court accordingly varied the previous order by adding three times the amount of the under-assessed tax to the fixed penalty, making a total penalty of £62 15s.

Previously, it had been the practice of

the Revenue in trebling total duty exigible, to include tax which had been deducted under P.A.Y.E. (which would otherwise be directly assessable under Schedule E), but not income taxed at source. The Court of Appeal failed to find any justification in the statute for this distinction and, even if it were well founded, considered it a startling anomaly which ran quite contrary to ordinary justice and gave an immense advantage to the taxpayer whose income was wholly or substantially unearned. The present interpretation of Section 25 (3) sweeps away this difference, since the calculation of the penalty (other than the fixed penalty) depends upon the amount of income understated without reference to the taxpayer's other income.

The penalty provisions of Section 25 (3) apply to offences under Sections 19–24, 27 and 29 of the Act of 1952, so that the effect of the recent decision is wider than at first sight appears. The same construction will apply also to Section 24 (1) of the Finance Act, 1958 (incorrect accounts), though not to Section 18 of the Act of 1952 (failure to give notice of liability to tax) notwithstanding that the words "treble the tax which he ought to be charged" are there used, since, if the taxpayer has escaped being assessed through failure to give notice of chargeability the words can hardly mean anything other than treble total duty. In consequence of the reliance of the Crown on its own strongly held view of Section 25 (3) for the recovery of back duty in respect of years which are out of date for assessment, it is not surprising that the new decision is under appeal to the House of Lords.

### Income Tax

*Double taxation relief—Life assurance—Mutual life assurance association in Australia—Branch office in United Kingdom—Assessments to income tax on life fund interest—Competence of assessments—"Industrial or commercial profits"—Whether taxable surpluses properly so described—Income Tax Act, 1918, Schedule 1, Schedule D, rules applicable to Case III, rule 3—Income Tax Act, 1952, Section 430—Double Taxation Relief (Taxes on Income) (Australia) Order, 1947, Schedule, articles II (1) (i), (3); III (2), (3).*

In *Ostime v. Australian Mutual Provident Society* (House of Lords, 1959, T.R. 211), the taxpayer, a mutual provident society with its head office in Australia, carried on life assurance business there and, through a branch office in London, in the United

Kingdom. For the years 1947/48 to 1953/54 inclusive it was assessed to United Kingdom income tax on sums which notionally were benefits of its business of insurance, the assessments being made in respect of "life fund interest" under rule 3 of Case III of Schedule D to the Income Tax Act, 1918, and Section 430 of the Income Tax Act, 1952. The taxpayer appealed and the Special Commissioners directed that the assessments be vacated. The grounds for allowing the appeal were that (on the footing that article III of the Schedule to the Double Taxation Relief (Taxes on Income) (Australia) Order, 1947, was capable of applying to notional profits of a mutual insurance society) profits attributable to the taxpayer's business in the United Kingdom were to be assessed under that article, and not under rule 3 of Case III of Schedule D, as there was a clear conflict between the Order and the rule and the Order must prevail; and that, the taxpayer being a mutual provident society, there were no industrial or commercial profits attributable to its London branch which were assessable to United Kingdom income tax. The determination of the Commissioners was affirmed by Upjohn, J., and by the Court of Appeal.

In the House of Lords, Lord Radcliffe said that rule 3 of Case III of Schedule D to the Income Tax Act, 1918, was first introduced by Section 15 of the Finance Act, 1915, to deal (*inter alia*) with the special difficulties of determining the true United Kingdom income of a non-resident life assurance company carrying on branch business in the United Kingdom. Its purpose was to attribute to a non-resident company a reasonable sum of income or profits which could be "charged as being income derived from business carried on in the United Kingdom." This sum was the product of a mathematical calculation represented by the income of the whole life fund multiplied by the premiums obtained through United Kingdom business and divided by the company's total premium income. In the end, therefore, it was not the investment income itself that was the subject of tax, but the product of a mathematical calculation. Moreover, under rule 3 (4) the tax charge turned out to be only a supplementary or covering charge which abated or disappeared to the extent that tax was otherwise obtained by deduction from investment income or direct assessment. Rule 3 was an attempt at a unilateral solution of a particular aspect of double taxation, and preceded bilateral agreements regulating some of



the problems of double taxation which, so far as the United Kingdom was concerned, began in 1946.

The Order of 1947 was given statutory force as respects United Kingdom income tax by Section 51 of the Finance (No. 2) Act, 1945 (now Section 347 (1) of the Income Tax Act, 1952), which allows the enactment by such Orders of the arrangements contained in double taxation relief agreements and prescribes further that the arrangements covered by an Order shall have effect in relation to income tax notwithstanding anything in any enactment so far as

(a) they provide for relief from tax, or (b)... for (i) charging the income arising from sources in the United Kingdom to persons not resident in the United Kingdom; or (ii) determining the income to be attributed to such persons and their agencies, branches or establishments in the United Kingdom...

It was plain, therefore, said his Lordship, that if there were a conflict, the unilateral legislation of the United Kingdom must give way.

When an Australian company had a permanent establishment in this country, as the taxpayer had, under article III (2) of the Schedule to the Order of 1947 it might be taxed on the "industrial or commercial profits" (as defined by article II (1) (i)) which it made, but only on so much of them as was attributable to its establishment in this country. The Order went on to say how the amount of profits was to be ascertained. Article III (3) provided by its terms for a basis of assessment which in effect adopted the hypothesis that the branch was an independent entity dealing at arm's length with the head office. The profits which emerged from a calculation based on this hypothesis were to be "deemed to be income derived from sources in the United Kingdom." It was not open to the House to decide what would be the consequences of taxing the respondent's commercial profits according to this new formula, for it was by no means easy to see what other hypotheses were required or excluded by the central hypothesis. The sole issue under appeal was whether the respondent could be taxed at all on the basis of Rule 3 of Case III. In his Lordship's opinion it could not be, because the world income from investments of the life fund, which formed the first stage in the Rule 3 calculation of profits, could not be attributed to the hypothetical independent enterprise without violating the very hypothesis which Article III (3) was designed to lay down as the basis of taxability.

Lords Somervell of Harrow, Birkett and Tucker agreed with the opinion of Lord Radcliffe that the taxpayer's taxable surpluses were properly described as "industrial or commercial profits" within the meaning of the Order of 1947, and that the taxpayer was assessable in accordance with article III, paragraphs (2) and (3), of the Schedule to the Order and not under rule 3 of Case III, the provisions of which, for present purposes, had been superseded by the terms of the Order. In a dissenting judgment Lord Denning said that the taxpayer was assessable to tax under rule 3 of Case III upon a proportion of its world "investment income." If he were wrong, it meant that the Australian society, which was a mutual society, would no longer have to pay the tax it had paid under rule 3 for thirty years or more. It would have to pay no tax at all in return for the benefit of carrying on the business of life assurance in this country—but only tax on such investments as it might choose at its will to retain in this country. He did not think that this was the intention of the Double Taxation Relief Agreement between the United Kingdom and Australia. Be this as it may, it would now seem that the company's prospects of paying no tax at all save that which is deducted at source from its investment income are very good indeed.

#### Income Tax

*Trade—Work in progress—Valuation by direct cost method—Valuation by on-cost method.*

The case of **Duple Motor Bodies Ltd. v. Ostone** (Ch. 1959, T.R. 205) was the subject of an article in our July/August issue, on pages 390-1.

#### Income Tax and Profits Tax

*Profits—Deductible expenses—Racecourse Betting Control Board—Operation of totalisators on racecourses—Percentage of takings of totalisators received by Board—Deduction of working expenses—Application of surplus for purposes conducive to the improvement of breeds of horses or the sport of horse racing under approved schemes—Board carrying on trade—Whether payments under schemes allowable in computing profits of Board for income tax and profits tax purposes—Runners' allowances not included in schemes—Whether working expenses—Racecourse Betting Act, 1928, Section 3—Betting and Lotteries Act,*

*1934, Section 18 (5)—Income Tax Act, 1952, Section 137 (a) (f), (g).*

The cases of **Racecourse Betting Control Board v. Young**; **Racecourse Betting Control Board v. C.I.R.** (House of Lords, 1959, 1 W.L.R. 813) were noted *sub nom. Young v. Racecourse Betting Control Board*; **C.I.R. v. Racecourse Betting Control Board** in our issue of May, 1958 (pages 246-7), and again, following the decision of the Court of Appeal, in our issue of October, 1958 (pages 533-4). The facts of the cases are fully set out in the earlier references. In the House of Lords the question which arose on the appeals, one of which related to income tax and the other to profits tax, was whether certain items of expenditure of the Board were wholly and exclusively laid out or expended for the purposes of the trade within the meaning of Section 137 (a) of the Income Tax Act, 1952, and secondly, whether such payments or any of them were payments of a capital nature the deduction of which would be prohibited by sub-paragraphs (f) or (g) of the same Section.

Viscount Simonds said that the difficulty in the case arose out of the somewhat anomalous position of the Board, which was not that of an ordinary trading corporation. The same difficulty might well arise with all nationalised industries, as the distinction between expenditure made in order to earn profits of the trade and expenditure made out of earned profits was likely to be obscured. The distinction was often a fine one (see *Mersey Docks and Harbour Board v. Lucas* (1883) 2 T.C. 25; *C.I.R. v. Stonehaven Recreation Ground Trustees* (1930) 15 T.C. 419, and the observations of Lord Reid in *C.I.R. v. Dowdall O'Mahoney and Co. Ltd.* (1952) 33 T.C. 259). In the present case, however, the line was clearly drawn by the Act of 1928 itself, and the Special Commissioners (who had held that the disputed payments, excepting reimbursements of expenditure upon the provision of certain physical installations on racecourses, were made wholly and exclusively for the purpose of the trade of the Board) had fallen into error because they had ignored the structure of the Act and assumed that the tax position was precisely what it would have been if the Board were an ordinary corporation whose object, under its memorandum of association, was to carry on the trade of operating totalisators on racecourses and nothing had been prescribed in regard to the distribution of its profits.

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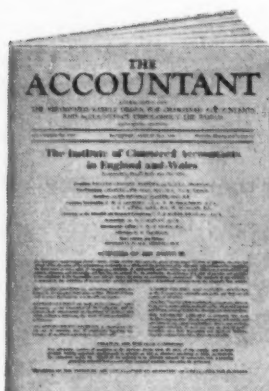
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The Act drew a distinction between the trading activities of the Board and its attendant expenditure, on the one hand, and the payments that were to be made out of any balance that remained, on the other. The payments or appropriations so made must accord with the directions of the Act and must be approved by the Secretary of State. It would be inconsistent with the scheme and purpose of the Act to treat those very payments as expenditure made wholly and exclusively for the purpose of the Board's trade. The same result was reached if the matter were looked at from a slightly different angle. It was the expenditure of carrying on the trade of operating totalisators on racecourses which was deductible in computing the amount of the Board's profits or gains. It was held in *A-G. v. Racecourse Betting Control Board* ([1935] Ch. 34) that the legitimate activity of the Board extended to matters fairly incidental to its express powers, but the question in that case was solely one of *vires* and the case was not to be regarded as an authority for saying that every activity which might indirectly result in an increased patronage of the totalisator was part of the trade of the Board. Though the payments might benefit the Board, it was no part of its trade to assist racecourse executives or to encourage racing in other ways. That was the object to which, under the control of the Secretary for State, the profits of the trade might be devoted.

The object of the runners' allowances was to induce owners to enter and run their horses in races and thus increase the amount of betting. These allowances were included by the Board in its accounts as working expenses, and were not included in any approved scheme so as to test whether inclusion in such a scheme was material for tax purposes. This treatment of the allowances did not determine their character for taxation purposes. The allowances were not properly described as "working expenses" of operating the totalisators but were payments which might be made out of the balance of the totalisator fund under an approved scheme. Without such approval they were *ultra vires* payments. Accordingly, all the items, including the runners' allowances, failed to qualify as deductions for tax purposes, since they were laid out for purposes not exclusive to the trade of the Board as totalisator operator.

This was the unanimous decision of the House, and it is unlikely that it will occasion any great surprise. What is somewhat surprising is that the Special

Commissioners should have reached the decision they did.

#### Estate Duty

*Passing of property—Moveable estate—Beneficiary—Death of beneficiary—No collation (bringing into hotchpot)—Whether right to moveables vested in deceased—Intestate Moveable Succession Act, 1855, Sections 1, 2—Finance Act, 1894, Sections 1, 2 (1) (a).*

The Finance Act, 1894, applies to Scotland with the modifications set out in Section 23. In *Couper's Testamentary Trustees v. Lord Advocate* (Court of Session, 1959, T.R. 189) the ultimate question to be decided was whether certain moveable estate (personal property) passed on the death of the deceased under Section 1 of the Act of 1894 (or was deemed to pass on the death under Section 2 (1) (a)) so as to be assessable to estate duty. On January 10, 1957, the deceased's brother died intestate and unmarried, leaving both heritable estate (real property) and moveable estate. He was survived by the deceased and by two sons and a daughter of another sister who had predeceased him. The deceased died on February 8, 1957. The testamentary trustees of the deceased (the appellants) were assessed to estate duty on the one-half of the heritable estate of the brother which passed on his death to the deceased as an heir apportioner, but no question arose in regard to this assessment. The trustees were also assessed to estate duty in respect of half the brother's moveable estate, which, the Inland Revenue contended, had also vested in her. The trustees claimed that this assessment was invalid, in that no right to any part of the brother's moveable estate had vested in the deceased because she had not collated (brought into hotchpot) her share in his heritable estate. This contention of the trustees raised the main issue in the case, namely, the effect of the Intestate Moveable Succession Act, 1855, in relation to the Scottish doctrine of collation.

The Lord President (Lord Clyde) said that had both sisters survived the brother each would have taken one-half of the heritage (real estate) as heirs portioners, but that, in the circumstances of the case, the common law of Scotland permitted the elder son of the predeceasing sister to take, as representing her, the share to which she would have been entitled had she survived. But, at common law, there was no representation in moveables, and the deceased as the sole surviving collateral and the sole next-of-kin

would have been entitled to the whole moveable estate of her brother. No question of collation could then arise, for there would be nobody with whom to collate. Under Section 1 of the Intestate Moveable Succession Act, 1855, however, the issue of a predeceasing next-of-kin were to come in place of their parent in the succession to the moveable estate of an intestate. But beyond that the Section did not go, and in particular it did not require an existing next-of-kin (such as the deceased), who would not have had to collate, to do so. It was true that Section 2 of the Act made provision for collation in certain circumstances which did not apply to the present case, but the fact that the duty to collate was provided in the Act for certain circumstances clearly led to the inference that in other circumstances the then existing law was not disturbed.

Moreover, it would be surprising if a provision which merely entitled the issue of a predeceasing parent to come in place of that parent could put that issue in a stronger position than the parent, and entitle the issue to require the deceased to collate as a condition of sharing in the moveables when their mother would have had no power so to require. Therefore, the Act of 1855 had not imposed on the deceased an obligation to collate which the common law would not have imposed. Accordingly, the one-half share of the brother's moveable estate vested in her on her brother's death and "passed" under Section 1 of the Act of 1894.

## Tax Cases— Advance Notes

COURT OF APPEAL (Lord Evershed, M.R., Sellers and Harman, L.JJ.).

*Abbott v. Philbin* (H.M.I.T.). October 6, 1959.

The Court unanimously allowed this appeal by the Revenue against the decision of Roxburgh, J. (see ACCOUNTANCY for July/August, 1959, page 401).

Leave was given to appeal to the House of Lords.

The House of Lords has reserved judgment in the case of *Oughtred v. C.I.R.* (see ACCOUNTANCY for October, 1958, page 535).

## The Month in the City

### Election Markets

The markets during September were dominated by three principal factors: the flow of new issues; the probability and later the announcement of the general election; and, from just after the middle of the month, the uncertainties surrounding the Jasper group. The background has been the rising rate of interest in the United States, which has helped to produce recently some weakness in sterling and some talk of a higher Bank Rate; and evidence of growing industrial activity in this country, accompanied by some fear that the disproportion between that in industries making capital goods and in those working for daily consumption may be accentuated next year. If this happens it may have quite serious results, but it is early yet to make estimates which may be altered by any general improvement in the world situation. In any case, prices of capital goods shares have continued to lag, with the possible exception of steel shares, which have fluctuated sharply with estimates of the election result. These factors and the effects of the Radcliffe Report are responsible for a further drop of about  $1\frac{1}{2}$  points in fixed interest indices. In the first week of the month there was a definite shakeout in industrial equities which owed a good deal to rising rates in the United States and Western Germany, to the flood of new issues, actual or prospective, and to election uncertainties. Recovery started with the announcement of the Balmoral visit, and ten days later the *Financial Times* industrial Ordinary share index, which between September 1 and September 8 had dropped  $8\frac{1}{2}$  points to 251.2, had recovered to 258.6. The Jasper trouble and election nerves subsequently eliminated virtually the whole of this rise, but the attack of nerves passed and the closing days of the month brought a recovery. The net results are reflected in the following changes in the indices of the *Financial Times* between August 31 and September 30: Government securities and fixed interest down from 85.49 to 84.24 and from 94.09 to 92.63, respectively; industrial Ordinary down from 258.7 to 255.9, and gold mining shares from 90.4 to 88.1. The yield on the Ordinary shares of this index, which had been 0.05 points below that

on Old Consols at end-August, closed last month with the margin at a new high of 0.18 points. On October 2 this figure was increased to 0.40, while the Ordinary share index touched a new high of 262.0

### The Jasper Uncertainties

At the time of writing it seems certain that some considerable period must elapse before the full facts attending the apparent inability of the Jasper group to complete some of its takeover operations and the effects of this upon other concerns, notably the State Building Society, are disentangled. Meanwhile, it is easy to exaggerate the effect of suspension of dealings in the companies of the group on the market, and even easier for the public to suppose that this is evidence of a serious state of affairs in the City. In actual fact it is rather surprising that the boom in takeover bids, especially those connected with real property, has continued so long without some of the weaknesses in the existing law leading to trouble. It may turn out that the position is less serious than it looks. The disturbance has, at least, had the beneficial result of securing from the Government a promise to look into the operation of the Companies Act and also to advance new legislation to deal with building societies. Meanwhile the activities of all the institutions concerned are under investigation, and the outcome must be awaited with patience and in the hope that most of those concerned will be shown to have been no worse than unwise in their enthusiasm. It is not evident at present how substantial is the damage caused, but City authorities will be the first to insist that changes are needed to protect the investing public and, incidentally, to protect from unmerited attack the institutions which behave well.

### Option Ruling

The market in options has been very much in the public eye during the past month, both because it has been used in three different ways by those who are seeking to benefit from a Conservative victory at the election, or to hedge against the effects of the reverse, and because the suspension on September 21 of dealing in shares of the Jasper group of companies called for special regula-

tion of the position for those who held options on these shares. The relevant committee of the Stock Exchange Council is to be congratulated upon providing an answer within a very few days, but it has to be admitted that its exact interpretation is a matter for experts, and some at least of the actual dealers in options may have to apply for official guidance. In pursuit of the cardinal principle that all contracts must be met, any option contract entered into before suspension must be completed if the giver wishes to exercise his right. If this completion means that a person has brought about a "position" by his own act, he may not avail himself of the permission given under the ruling to close it. But if the position arises involuntarily he may apply for permission to close. This would appear to mean that if a taker for the "call" has to supply shares and is as a result "short" he can apply for permission to close his bear position.

### Two Money Houses Made Public

Following on the fusion of *Philip Hill* and *Erlangers*, in which there were further developments last month, there came the decision of the *Clive* discount house to become public by an offer of part of its capital. This is the last of the twelve houses of the discount market to take this action, so completing a stage which has been in progress for a half-century. About a fortnight later, on September 23, it was announced that *J. Henry Schroder*, one of the oldest of London's merchant banks, was taking similar action. In this case a new company, *Schroders Ltd.*, has been formed to take over the capital of *J. Henry Schroder & Company* of London and *J. Henry Schroder Banking Corporation* of New York. The new concern has an Ordinary capital of £5 million fully paid in shares of £1, and of these 750,000 are to be offered on October 1 at 32s. 6d. per share. The dividend is to be 6 per cent., giving a yield of around  $3\frac{1}{2}$  per cent., which will be three times covered by earnings. The bulk of both assets and earnings, which totalled last year £1,116,000 odd, is in New York. *Baring Brothers*, through a small stake in the *American Schroder Corporation*, will have a  $6\frac{1}{2}$  per cent. interest in the new concern, while the *Schroder* family retains  $67\frac{1}{2}$  per cent. of the equity.

### New Issues

The flow of new issues has again been very substantial and shows no sign of drying up. According to the figures of the *Midland Bank*, the total for the

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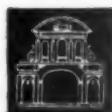
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month was £47,300,000, raising the total for nine months to £371,100,000 against £275,900,000 a year before.

A number of the issues were as rights, and there were also numerous free scrip issues involving no cash. Among those deserving special mention were an offer of 1,500,000 Ordinary shares of 5s. at

25s. in Mr. Clore's *City and Central Investment*, which went to a 4s. premium on the opening of business; a £2 million offer of 4½ per cent. debentures by *Philip Hill Investment*, placed privately at 85½; and some days later a rights issue by them of one for four at 22s. 6d., in which the shares allotted to Erlanger

holders had the right to participate; and the formation by the *Bank-Insurance* group of a new *Scottish Industries Unit Trust* as a companion to its popular "Scotbits." In addition there was a host of other issues in property, hire purchase finance, and industrial ventures, and many more are in preparation.

## Points From Published Accounts

### Comparing Group with Parent

There is no requirement that group accounts should be prepared on exactly the same basis as those of the parent, but it is often disconcerting to find that they are not. *Dolland and Aitchison* strikes the trading profits in the consolidated profit and loss account after charging directors' emoluments, but in the parent account the item is stated inclusive of these emoluments. Perhaps it is a minor point of criticism, but consistency is a great virtue in these matters, for such variations can lead to mistakes by those who are studying the accounts. It is quite easy to overlook the fact that both accounts are not on all fours, to subtract the parent figures from the group figures without adjusting for the directors' emoluments, and to arrive at a completely wrong figure for the trading profits of the subsidiaries. Moreover, the notes section reveals that in addition to the emoluments received from the parent company the directors receive £3,505, in aggregate, from the subsidiaries. As the accounts now stand, the figures of the parent appear to be inflated in comparison with those of the group. It would be a simple matter to remove the cause of our objection.

### Improved Readability

Revised accounts have been introduced this year by *Initial Services*. Both the balance sheet and the profit and loss account have now been condensed into a single page, the former being stated on

a net assets basis instead of total assets. The balance sheets are laid out in the form of "funds employed" and "employment of funds" in the modern style, and all unnecessary detail has been relegated to an extended notes section. Improved readability is the result, and the presentation of the accounts has undoubtedly taken a useful step forward with this move.

### Criticism by Invitation

Despite the printing dispute *Simms Motor and Electronics Corporation* managed to produce an elaborate set of accounts. Since no less than three printing concerns were employed in preparing the publication, elaborate seems a reasonable adjective to use.

A feature of the accounts is a centre section which unfolds to depict forty years of progress in the business. Three transparent sheets are superimposed on a background map of the United Kingdom, each sheet depicting a particular phase in the group development, so that, when all three sheets are laid on the map, a complete picture of development is built up. The device is not ineffective, but it is somewhat overdone and not in character with the rest of the presentation, which reaches a very high standard, especially in the pictorial pages.

An unfortunate attempt to embellish and emphasise is a heavy black border surrounding the figures for the current year; it tends to give an overpowering effect, detracting from the figures

themselves. This effect is much worse in the consolidated balance sheet because, in depicting fixed assets, as many as four columns of figures have to be employed.

The only appropriation for 1958 in the appropriation account is the cost of the dividends. Transfers in a subsidiary company to debenture redemption reserve, Preference share redemption reserve and capital redemption reserve fund appear in the profit and loss account proper and so are not being treated as appropriations. Yet they are included in the balance sheet among the revenue reserves and therefore should surely be in the appropriation section.

One other minor point of criticism we would make concerns the use of a spiral binder. In our experience this method of attaching pages suffers from the drawback that the bound product will not stand up to usage of the kind that annual accounts may be expected to attract. Frequent thumbing through tends to result in pages coming adrift. However, this is a personal view only, and presumably there are difficulties in the way of normally binding pages of different thickness.

In mitigation of our criticisms we would say that we were asked for them—and that invitation alone is a matter worthy of comment and praise. The compilers of these accounts have made a sincere attempt to produce an annual report that will prove attractive to read, as well as packing in a great deal of information supporting the accounts proper. They have achieved this aim; we have made only criticisms of detail. Obviously the compilers are not going to rest content with what they have achieved. Their attitude in inviting criticism confirms that. Heartening evidence indeed of the new spirit that is abroad to improve the standard of presentation of company accounts!

## Publications

**The Accountant in Public Practice.** By K. L. Milne, F.C.A.(AUST.) Pp. xx+267. (Butterworth & Co. (Publishers) Limited: 25s. net.)

FROM AN AUSTRALIAN practising accountant we have a wide-ranging book of unusual quality. After first establishing the standing of accountancy and accountants by comparison with other professions, Mr. Milne discusses fully the relationship of the accountant to his client, to third parties, to his colleagues and to the business community.

The author believes in a personal approach to public practice: showing a liking for "private faces in public places," he believes that for an accountant to be impartial it is not necessary for him to be impersonal. A public accountant is closely associated with people, as well as with financial statements. He should be able to combine great technical ability with human understanding, and achieve a personal and confidential relationship with his clients while still maintaining fully the independence of his professional position.

On the independence of the accountant, so largely taken for granted in this country, the author quotes statements of the American Institute of Certified Public Accountants. For accountants confronted with unlawful acts of clients, he quotes from the statement issued two years ago by the English Institute, which he regards as of outstanding importance. He presents a survey of the ethical codes of the professional accountancy bodies in many countries, but he also gives his own personal views, presumably based on professional experience in Australia.

In relation to third parties the English position under the decision of the Court of Appeal in *Candler v. Crane Christmas & Co.*, 1951, is contrasted with the decision of the United States Court of Appeals in *CIT Financial Corporation v. Barrow Wade Guthrie & Co.* in 1955. The author's conclusion, after quoting from a statement of the English Institute in 1957, is that in the absence of fraud a public accountant owes a duty of care only to his client or to some person to whom he has a fiduciary relationship. The legal obligation to compensate third parties who subscribe for shares on the faith of a prospectus containing misstatements (under Section 43 of the

Companies Act, 1948) is not referred to: but the author does stress the moral obligation of accountants towards third parties when reporting on accounts or preparing tax returns.

In relation to colleagues, Mr. Milne discusses the training of students, the remuneration of the staff and the many benefits and fewer disadvantages of partnership. Relations between sole practitioners and local, national and international firms are considered, and in particular the ethical duties of specialist accountants towards practitioners who consult them.

The book contains much detailed information and discussion of practical questions (as, for example, office manuals, fees and the purchase of practices). But it is the personal philosophy of the author that makes the book both readable and memorable. Technique is not enough. D.A.C.

**Alban and Lamb's Income Tax as Affecting Local Authorities.** Fifth edition. By George H. Forster and J. D. R. Jones. Pp. xxiii+338. *Charles Knight & Co. Ltd.*: 55s. net.)

THE EDITORS OF this edition of Alban and Lamb's classic point out that since the fourth edition was published far-reaching changes in income tax law and practice have occurred; the new edition includes the relevant statutory provisions, decisions of the courts, and developments in practice. It goes up to and includes the Finance Act, 1958.

To the student of local authority income tax, and indeed, to the local government financial officers directly concerned with the computation of the liability of their authorities, this book is invaluable. As in past editions, the subject is dealt with exhaustively and lucidly. Not only is the law and practice clearly set out, but numerous specimen computations are given.

Certain special features of local authority assessments are given separate treatment. For example, the calculation of profits on public supplies to non-trading departments, and the assessment of cemeteries and crematoria are fully exemplified.

The specimen Schedule D computations and set-off statements are most complete and exhaustive, leaving the reader in no doubt whatever about the treatment of the various items.

The bookkeeping and accountancy treatment of tax transactions is given a separate chapter. Wherever necessary, references are made to the appropriate Agreed Rule. W.S.E.

**Contracts.** By Alan Garfitt. Pp. xii+113. (Nutshell Series.) (*Sweet & Maxwell Ltd.*: 7s. 6d. net.)

IT IS A pleasure to welcome the new edition of Mr. Garfitt's most useful summary of the principles of the law of contract.

Like almost all the books in the "Nutshell" series, this is a valuable short work for a prospective examinee to peruse and to master. It is far from a mere "cram" book. The facts of many leading cases are succinctly set out in footnotes to the text.

The text is well arranged in fourteen short chapters, covering the nature and making of contracts, consideration, capacity of parties, misrepresentation, agency, discharge of contract, remedies and assignment.

The index (always an important part of such books) is comprehensive and well arranged. From every standpoint, whether from that of the student who comes fresh to the subject, or wishes to revise before an examination, or from that of a general reader in search of expert knowledge, this is a very good little book. E.E.E.

**Advanced Cost Accountancy.** By J. E. Smith, A.C.W.A., and J. C. W. Day, B.COM., F.A.C.C.A. Pp. 170. (*Gee & Co. (Publishers) Ltd.*: 21s. net.)

THIS BOOK is intended for revision and summing up or as a programme of study, primarily for candidates taking the Institute of Cost and Works Accountants Final examination papers in Advanced Accountancy. In the first half of the book, the authors have dealt with the subject in brief note form. That they have done so in fewer than seventy-five pages is an indication of the extent of condensation achieved. That treatment, however, has resulted in certain aspects of the subject being covered less fully than could, perhaps, be desired. For example, in the section dealing with standard costing, there is virtually no reference to the principles or problems associated with the setting up of standards. The examinee may feel that such matters have been fully covered in his basic textbooks and will be more pleased to find the numerous definitions of technical terms and the useful lists of points which have been included.

The second half of the book has been devoted to the reproduction of nearly one hundred examination questions, grouped to correspond with the sections in the first half of the book, and apparently all taken from I.C.W.A. papers. Well-written model answers



have been supplied for about half the questions: these, in addition to giving the reader valuable additional information, demonstrate the type of answers likely to be expected from him in the examination.

The subject matter and views expressed follow modern orthodox thought on costing problems, and the book has been written in a manner which is easy to follow. Some of the expressions used, such as "This method is somewhat duplicatory" and "To example the use of . . .," may not appeal to all readers, but this is only a small criticism of a very useful work.

It should be emphasised that the book is not intended to be an introduction to cost accounting: indeed, anyone without previous knowledge or experience of the subject would probably find it confusing. To the reader seeking a concise summary for examination purposes, however, it should be of great assistance, and the authors are to be congratulated upon producing such an excellent specialised revision book.

Lecturers, tutors and practitioners may also find it helpful as a programme guide or as a reminder of available techniques.

C.R.P.G.

## Books Received

**Directories, Who's Who, Press Guides and Year Books.** Edited by H. R. Vaughan. Eleventh edition. Pp. 36. (*Publishing and Distributing Co. Ltd., Mitre House, 177 Regent Street London W.1: 5s. net.*)

**Hotels and Restaurants in Great Britain and Ireland, 1959.** 31st Edition. Pp. xvi+495+24. (*British Hotels & Restaurants Association, 88 Brook Street, London, W.1: 3s. 6d. net.*)

**Education Statistics 1957/8.** Pp. 35. (*Institute of Municipal Treasurers and Accountants: 4s. 6d. post free.*)

**Children Services Statistics 1957/58.** Pp. 23. (*Institute of Municipal Treasurers and Accountants: 3s. 6d. post free.*)

**Welfare Services Statistics 1957/58.** Pp. 23. (*Institute of Municipal Treasurers and Accountants: 3s. 6d. post free.*)

**The Stock Exchange.** Edited by A. K. Sur. Pp. xxiv+97. (*Calcutta Stock Exchange Association, silver jubilee publication.*)

**Hanson's Death Duties.** By Henry E. Smith, LL.B., assisted by P. H. Fletcher, LL.B. Third cumulative Supplement to 10th edition. Pp. xi+140. (*Sweet & Maxwell Ltd.: £1 1s. net, post paid.*)

**The Productive Office.** National Conference Report 1958. Pp. 53. (*Office Management Association: 10s. net.*)

## Letters to the Editor

### World Refugee Year

Sir,—I am writing to you as President of the United Kingdom Committee to bring World Refugee Year to the notice of the members of the Institute of Chartered Accountants, and to ask for their help. I am very pleased to say that your President associates himself with this appeal and has given it his full support.

The decision to hold World Refugee Year from June, 1959, to June, 1960, was reached at the General Assembly of the United Nations in December last. It was a British idea in the first instance, and fifty-three nations of the free world have now joined in. The aim of the combined effort is to help put an end to the misery and frustration suffered by millions of refugees.

In the United Kingdom, Her Majesty The Queen has graciously consented to be our Patron and the leaders of the three parliamentary parties have agreed to be vice-patrons. Our target is £2 million and Her Majesty's Government has already promised an initial contribution of £200,000 exclusive of the national total.

The U.K. appeal has four objectives. The first is to assist refugees in Europe under the mandate of the United Nations High Commissioner for Refugees, outside camps as well as in camps. The other objectives are to help the resettlement of European refugees from China, to aid Chinese refugees in Hong Kong and to help Palestinian refugees. These objectives have been generally welcomed and each of them is supported by one or more of the fourteen member organisations of the U.K. Committee.

May I commend this appeal to your members and ask for their help in stamping out an evil which has been on our conscience far too long? Apart from the humanitarian issue, there will surely be little chance of a lasting world stability with such a problem on our hands.

Do please help and send your contributions to me, Baroness Elliot of Harwood, World Refugee Year, 9 Grosvenor Crescent, London, S.W.1.

Yours faithfully,

ELLIOT OF HARWOOD

London, S.W.1.

### Reserves and Provisions

Sir,—In his letter published in the July/August issue of ACCOUNTANCY (page 413), Mr. F. W. Daniels does not consider that future income tax should be classed as a reserve. Surely the point of its being so is the fact that normally, at the date to which accounts are made up, Parliament has not

decided on the fiscal measures for the year for which the profit forms the basis of assessment. Usually, it is a matter very much for the future when, for example, June accounts are audited. It is not an impossibility that the tax structure be completely altered, or taxation rates considerably lowered or even reduced to nil.

Yours faithfully,

JAMES G. RUDDOCK

Hitchin, Herts.

[Mr. Daniels writes: My argument, briefly restated, is that:

(a) the Act forbids us to apply the term "reserve" to any sum earmarked against any particular "known liability," and requires us to use the word "liability" here in the widest possible sense, that is, as including not only sums accrued payable, but also prospective liabilities under contract and disputed or contingent liabilities. A reserve "for" income tax or anything else is simply illegal.

(b) once it is decided to set aside or retain against a particular eventuality, whether accrued, prospective, disputed or merely contingent, we are dealing with a "known liability" as defined. Within the class of "known liabilities," however, we may have items of which the financial magnitude cannot be accurately assessed at the date of the balance sheet. In each such case we can only put in a "provisional"—that is, "subject-to-adjustment-later-in-the-light-of-better-information"—figure. The Act then steps in to try to prevent abuse of such "provisions," for example, inflation to create secret reserves, or transfers to hide losses.

I take Mr. Ruddock's point that future income tax cannot be a firm figure. In my opinion, this means that the item should be grouped under the general heading of "Liabilities," but under a sub-heading for "Provisions." (An item has to be a "liability" before it can be made the subject of a provision.) ]

### Should Overheads be in Work-in-Progress?

Sir,—We read with interest your article on this subject (ACCOUNTANCY, July/August, pages 390-1), and as observers at the appeal we are surprised to find that the writer of the article is of the opinion that no ruling for the valuation of work-in-progress has been established.

On reading the case certain findings have been made by the Special Commissioners. In your article they were reproduced in the past tense, whereas the Special Commis-

tioners actually made them in the present sense. They are as follows:

- (1) The accountancy profession as a whole is satisfied that either method (direct cost or oncost) will produce a true figure of profit for income tax purposes.
- (3) That it is very much a matter of policy for the decision of the directors of the company which method should be used.

We cannot understand why any misunderstanding should have arisen, as it is quite clearly stated that it is a finding of fact that overheads can be either included or excluded as a matter of policy for the decision of the directors. Justice Vaisey said in his judgment that it seemed to him that a plainer statement of facts and the conclusions that have to be drawn from the facts would be very difficult to imagine.

The only confusion that can have arisen over the case would appear to us to be that the Special Commissioners, having made the above findings, then placed themselves in the position of the directors and formed the opinion that if they were the directors they would include overheads in the valuation. This part of the stated case clearly flies in the face of their own findings. Justice Vaisey pointed out in his judgment that if he found that it was a matter of policy for the decision of the directors he had no right to decide between the two methods for the directors. He went as far as to say that his own view was quite irrelevant and that he thought that the Special Commissioners' view was equally irrelevant.

The position therefore as it stands would appear to be quite clear cut, that the directors can choose which method they wish to value their work-in-progress. This would appear to us to be a most logical outcome of any case for the valuation of

work-in-progress, as we are sure that every one would agree that no two companies have exactly similar circumstances, and it would be very wrong to lay down a set formula.

If the courts had insisted that overheads should be included in work-in-progress, the amount of litigation that might result from arguments of what is to be included in overheads is quite unthinkable.

Yours faithfully,

HEATHCOTE AND COLEMAN  
Chartered Accountants.

Birmingham.

[The Special Commissioners found that "the accountancy profession as a whole is satisfied that either method will produce a true figure of profit for income tax purposes . . . In this state of affairs, we find that it is very much a matter of policy for the decision of the directors of a company which method should be used." Vaisey, J., assumed that this finding was equivalent to a finding that either the oncost method or the direct cost method is permissible and consonant with income tax principles. This in itself is disputable. If a finding that either the oncost method or the direct cost method is permissible and consonant with income tax principles is a finding of fact, then obviously the decision establishes no legal principle. If it be law, however—and of his finding his Lordship remarked, "Never mind for the moment whether it be fact or law"—it cannot be said to be clearly established as a legal principle by the decision. The position as it stands as a result of *Duple* is not "clear-cut," because it is clear from previous decisions that the directors in any one case can only choose a method of valuation of work-in-progress which produces a true estimate of the profits of the trade for

income tax purposes. In view of the progress of the *Duple* case up to now, it cannot be said that any guidance has been given in making such an estimate.

The forecast in the final paragraph of the letter is, we think, unduly gloomy. The courts, however, have to interpret the law regardless of such considerations.

It is to be hoped that the Court of Appeal will resolve these difficulties so that one may know what legal principle, if any, may be drawn from the decision.—Editor, ACCOUNTANCY.]

#### Lord Montgomery

Sir,—I have been able to reply individually to those who wrote to the Chartered Accountant Students' Society of London after its meeting in Guildhall on October 8, when Lord Montgomery took me and everyone else by surprise by speaking about the general election. May I use your columns to assure the members generally that this experience in no way implies departure by the Society from its firm adherence to the principle that the profession as such, and therefore the professional bodies, should have no part in political controversy.

To members of the Students' Society who feel that, however inadvertently, we have laid ourselves open to criticism, I should like to exonerate the committee. The arrangements for these Guildhall meetings are solely the responsibility of the President of the Society; the committee takes no part in them. Criticisms should therefore be directed at me and not at the committee.

Yours faithfully,

W. E. PARKER, C.B.E., F.C.A.  
President

The Chartered Accountant Students' Society  
of London,  
London, E.C.2.

## Readers' Points and Queries

### Maintenance Claim—Landlord's Expenditure

*Reader's Query.*—My client owns property which is let at £1,000 per annum under a lease providing for all repairs, etc., to be carried out by the tenant. The Revenue has therefore added 10 per cent. for repairs allowance, bringing the gross annual value to £1,100. This, after deducting the restricted repairs allowance of £100, gives the net annual value of £1,000, in line with the rent.

My client has to spend approximately £100 per annum on the property,

apart from the expenditure for which the tenant is liable. Since the repairs allowance is in my opinion based on the tenant's repairs liability, is it not feasible that the £100 payable by my client should be allowed as a maintenance claim in excess of the £100 notional repairs allowance? If not, then is it allowable as a deduction from the £1,000 rent on which the G.A.V. is based, in view of the fact that the clear rent to my client is £1,000 minus £100?

*Reply.*—There appears to be a grave doubt whether a claim could be made by the landlord in such circumstances. The

reader might like to refer to paragraph 140 of Income Tax, Maintenance Relief and Agricultural Allowances, by Cutler Jones, published by Sweet & Maxwell. In such cases there is a Revenue concession permitting repayment on the landlord's insurance payments without deduction of repairs allowances. In no circumstances could the repairs expenditure be deducted in arriving at the G.A.V.

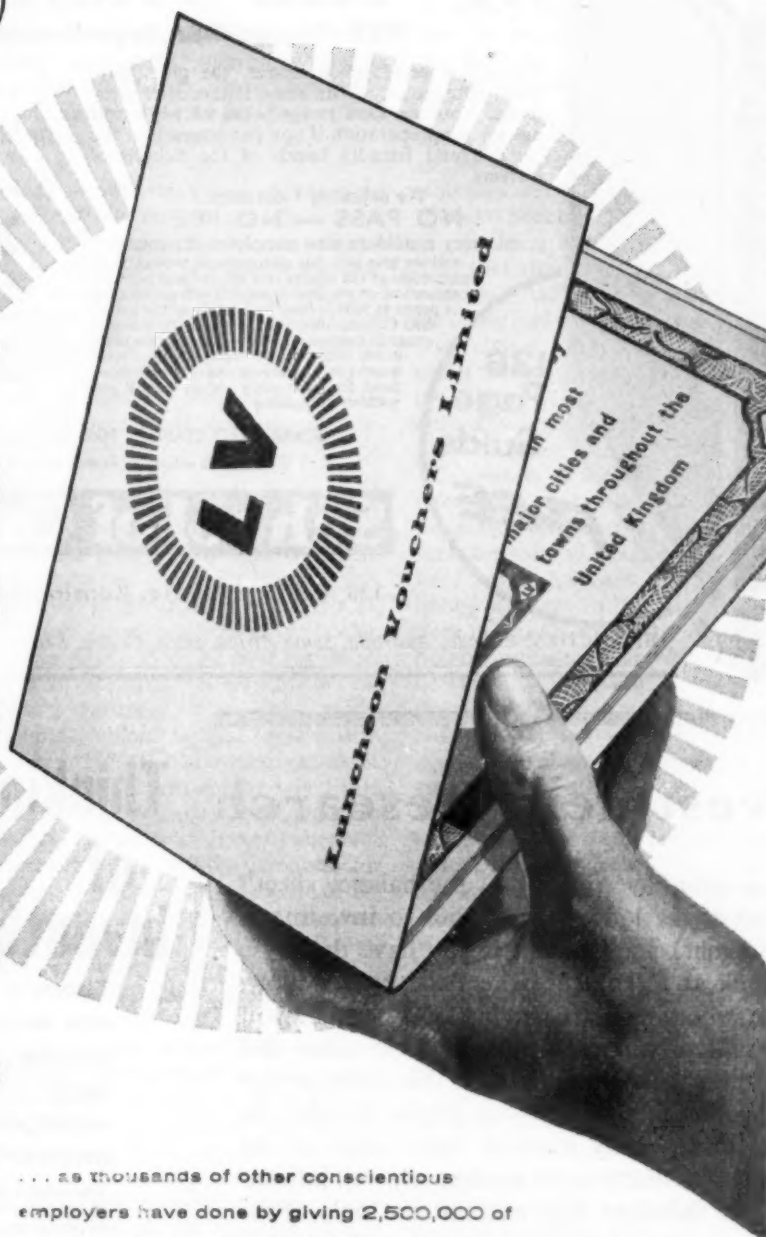
### Discontinuance of Business as Band Leader

*Reader's Query.*—A client has been carrying on business as a band leader for several years. He found that this business was becoming increasingly difficult and on April 21, 1958, he commenced employment in a totally different sphere.

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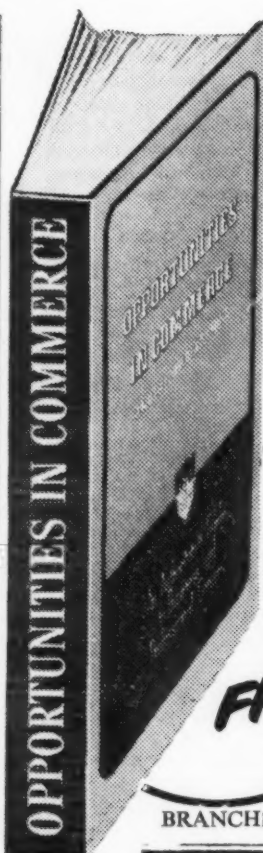
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We have applied to H.M. Inspector of Taxes for the application of the cessation provisions of the band-leading activity on the date that the employment commenced. He has, however, referred to Section 130, Income Tax Act, 1952, which states, *inter alia*, that these provisions apply only where the profession is "permanently" discontinued.

Our contention is that the band-leading activity, as such, is continuing (since our client still carries out the odd engagements at week-ends), but that it has been "permanently discontinued" as our client's profession. We would point out that the employment does not permit our client any time for rehearsals or any other activity relating to the band leading.

*Reply.*—It is a question of fact whether the taxpayer is still carrying on the profession of band leader. The fact that he may be doing so on a part-time basis seems to be irrelevant to the reader's argument. The only alternative to a Case II assessment would appear to be Schedule E, which would involve showing that he was employed on the week-end engagements as a servant bound to attend at stated times, and so on. Rehearsals are an incident in his profession but he could still exercise it up to a point without them.

#### Private Use of Car—Hire Purchase Interest

*Reader's Query.*—I was interested to read the reader's query and the reply published on page 414 of the July/August issue of ACCOUNTANCY.

I have recently, for the first time, received from an Inspector of Taxes a similar enquiry as to how much of the item hire purchase interest related to the private car of which the running expenses were apportioned in respect of non-business use. In that case, however, the amount in question was so small that he did not pursue the matter.

With reference to your reply, I cannot but wonder whether the hire purchase interest is really an expense of running the car, and therefore apportionable between business and private use. Before the last war it was, I believe, possible to obtain from certain hire purchase firms a loan on a car already owned, if additional liquid capital was required for a business. It is also interesting to consider the case of a trader with a bank overdraft who pays outright for a car. His subsequent bank charges will be higher than if he had not bought it, but

it would hardly be practicable to ascertain and apportion the increased bank charges applicable to the purchase. A similar position would arise if the bank overdraft were maintained, or temporarily increased, by reason of private drawings.

Is it not more logical and practical to regard both bank interest and hire purchase interest as interest on additional capital obtained for the business and, therefore, allowable in full?

*Reply.*—Unfortunately, logic cannot be introduced into income tax. There is no relief for hire purchase interest unless it can be charged as a business expense, which means that it must be wholly and exclusively disbursed for the purposes of the trade. Bank interest is in an entirely different category because there is a specific provision in the Income Tax Act for relief for all bank interest—see Section 200 of the Income Tax Act, 1952.

#### Set-off of Losses from Hobby

*Reader's Query.*—My client has been in business as a builder since April, 1955: first in partnership to March 31, 1957, and subsequently as a sole trader. Prior to April, 1955, he paid tax under P.A.Y.E. Returns in respect of the building business were duly made, accounts submitted and assessments agreed for 1955/56 and subsequent years.

My client commenced to breed pigs as a hobby in February, 1954, and last year the Inspector of Taxes called for accounts for this activity. Accounts for the period February, 1954, to June 30, 1957, were submitted and showed a loss which was agreed at £136 and allocated as follows: 1953/54, £3; 1954/55, £41; 1955/56, £41; 1956/57, £41; 1957/58, £10.

A claim under Section 341 was made and agreed in respect of the tax paid on the building business in 1956/57, the losses on the pig breeding allocated to 1955/56 and 1956/57 being used for this purpose.

A claim has now been made under Section 66 to set off the loss on pig breeding against the profits of the building business for the year of assessment 1955/56. The pig breeding losses for this purpose have been calculated on the loss allocated to 1954/55, this being the basis period in accordance with normal income tax procedure under Schedule D.

In my opinion my client is entitled to his claim on the following grounds:

- (1) He made a return of income for 1955/56 and declared his profits.
- (2) He omitted to claim set-off for the

loss on his pig breeding and this omission constituted an "error or mistake" for the purpose of Section 66.

(3) The loss which he would have been entitled to set-off in respect of the year of assessment 1955/56 was the loss incurred in 1954/55—the basis period for 1955/56 year of assessment. This loss was £41 (see above).

The Inspector of Taxes disputes the claim, saying: "In my view, however, no claim is competent under the provisions of Section 66. Your client cannot possibly—in error or mistake—have failed to claim Section 142 relief in respect of this building loss for the year 1954/55 if at that time (a) no such business or activities had been returned, (b) no accounts had been prepared or agreed. Any claims, therefore, seem to arise under the provisions of Section 142 and the loss of £41 for 1954/55 is therefore only available against profits of any other trade for that year."

It appears to me that the Inspector's reference to a return for 1954/55 is irrelevant. During that year my client was assessed under Schedule E and there were no profits from his pig-breeding hobby for him to declare. Since there were no profits to declare, the preparation or agreement of accounts appears to be similarly irrelevant. In my opinion the year 1954/55 is relevant only as the basis period for arriving at the loss available against the building business assessment for 1955/56.

*Reply.*—Since the loss was allocated to years of assessment as stated, the loss for Section 142, computed as assessments would be computed as provided in the Section, would be:

|                                     |         |     |
|-------------------------------------|---------|-----|
| 1953/54                             | .. .. . | £3  |
| 1954/55 first 12 months             | £3 plus |     |
| 11/12 × £41                         | .. .. . | £41 |
| 1955/56 previous year               | .. .. . | £41 |
| None of these has so far been used. |         |     |

The minus quantity for 1955/56 is not the loss for that year for any purpose other than Section 142, but is in our opinion clearly allowable under the Section. It is the same position as in a continuing business (save for the method of arriving at the loss). Had it not been a new business but a continuing one it would have been the 1954/55 loss that would have been available for Section 142 in 1955/56. The loss for 1955/56 would be available in that year under Section 341 or in the following year under Section 142 or Section 341.

Section 66 applies to "some error or mistake in the return or statement," and therefore the Inspector appears to be wrong.



## Legal Notes

### Contract and Tort—

#### Accidents caused by Police Speeding in the Course of their Duty

By Section 3 of the Road Traffic Act, 1934, "The provisions of any enactment or of any statutory rule or order imposing a speed limit on motor vehicles shall not apply to any vehicle on any occasion when it is being used for fire brigade, ambulance or police purposes if the observance of those provisions would be likely to hinder the use of the vehicle for the purpose for which it is being used on that occasion." It is thus clear that it is not a criminal offence for a police officer to exceed the speed limit when in pursuit of a suspected criminal, or for the driver of a fire engine to do so when hastening to a fire, but until the recent case of *Gaynor v. Allen* [1959] 3 W.L.R. 221 there was no authority on civil liability for an accident caused in such circumstances.

In that case the plaintiff was crossing on foot a dual carriageway which was subject to a speed limit of 40 miles per hour when she was knocked down by a police motor-cycle travelling at 60 m.p.h., the police officer unfortunately being killed. *McNair, J.*, said that the police officer was absolved by the 1934 Act from any criminal liability, but that as regards civil liability he must be judged in exactly the same way as any other driver of a motor-cycle in similar circumstances—he, like any other driver, owed a duty to the public to drive with due care and attention and without exposing the members of the public to unnecessary danger. On the facts of the case he found that the officer was two-thirds and the plaintiff one-third to blame for the accident, and he gave judgment accordingly.

It is submitted that the result of this decision is very reasonable, provided that the money comes eventually not from the particular officer concerned but from the taxpayer or ratepayer. It seems only fair that an individual injured in such circumstances should be compensated from public funds.

### Contract and Tort—

#### Premiums for Tenancies

As was noted in ACCOUNTANCY for September, 1959 (page 455), under the Landlord and Tenant (Furniture and

Fittings) Act, 1959, it is now an offence (a) to offer furniture and fittings at excessive prices as a condition of the grant or assignment of a controlled tenancy and (b) to fail to furnish an inventory of the furniture and fittings with the price of each item to anybody who is supplied with particulars of the tenancy. The case of *White v. Elmdene Estates Ltd.* [1959] 3 W.L.R. 185 has now shown that the civil remedies of tenants under the law already existing are wider than had been sometimes supposed. The landlords, E.E. Ltd., granted to W. the tenancy of a flat which was within the Rent Acts, and as a condition of that grant they required W. to sell his own house to another company, P.T.E. Ltd., at a price which was £500 less than its true value. No part of the benefit was received by E.E. Ltd., but that company and P.T.E. Ltd. were associated, both being controlled by the same family. W. then sued E.E. Ltd. for the return of the £500 as an illegal premium.

The landlords raised two main defences: (a) that the allowance of £500 was not "the payment of a premium" and (b) that even if the £500 was a premium, it was not recoverable from a landlord who had not received the whole or any part of it. The Court decided in favour of the tenant on both points. It said that, where a specific sum was to be deducted from a known or assumed sale price as a condition of the grant of a tenancy, that was a "pecuniary consideration" within the scope of the definition and amounted, therefore, to a premium; and that, if payment was made not to the landlord himself but to his order, the premium was recoverable from the landlord.

The Court left open the question whether a premium is recoverable from a person to whom payment is actually made but who is not a party to the tenancy agreement.

### Executors Law and Trusts—

#### Investment Clause in Will

Among the points that the Court had to consider in *In re Douglas's Will Trusts* [1959] 1 W.L.R. 744 was the construction of a clause authorising the trustees of a will to invest the trust funds

"on such securities as they may think fit." *Vaisey, J.*, held that the word "securities" meant any stocks, shares or bonds within the authorised range of trustee investments: the word was not confined to secured investments, but on the other hand it did not mean any property of any kind so as to include, for example, jewellery or speculative gold mines.

### Executors Law and Trusts—

#### Scheme of Investment for Charities

In *In re Royal Naval and Royal Marine Children's Homes, Portsmouth* [1959] 1 W.L.R. 755, *Roxburgh, J.*, adopted a scheme extending the range of investments for this charity and set out the principles which the courts are likely to follow when dealing with similar applications in the near future. He said that he had long regarded as unsatisfactory the position under which judges were expected to exercise their discretion in relation to a matter which was primarily financial and economic; and he much welcomed the official announcement made in May this year that an Act for amending the general range of authorised investments was now in contemplation. He would make an interim order to take effect unless and until the law regulating the investment of trust moneys generally was amended by Parliament. For this interim period he would adopt a scheme substantially the same as that adopted by *Vaisey, J.*, in *In re Royal Society's Charitable Trusts* [1956] Ch. 87.

The scheme is fully set out in the report. The funds of the charity are to be divided into two parts, of which one part, "the free fund," is at the date of division to have twice the value of the other part, "the restricted fund." Moneys forming part of the restricted fund must be invested in trustee securities, but the range of investment for the free fund is widened: in particular, fully-paid Ordinary shares of companies incorporated under the laws of the United Kingdom, Canada, Australia, New Zealand, or the United States may be acquired, provided that the company has a paid-up capital of at least £750,000 and the shares are quoted on a recognised stock exchange in London or other specified towns. It is a term of the scheme that a professional adviser of not less than fifteen years' standing in his profession as a stockbroker, merchant banker or member of a finance house should be employed to keep the trust investments under review and to recommend changes from time to time.



## An Accountant's Guide to Recent Law

### STATUTORY INSTRUMENTS

No. 1363. (S. 81). Town and Country Planning (Prescribed Forms of Notices) (Scotland) Regulations. Prescribing form of notices required for purposes of several Sections of Act of 1959.

No. 1426. Smallholdings (Contributions Towards Losses) (Amendment) Regulations. Amending 1949 Regulations now that there is no necessity for Minister's consent to sales, etc.

No. 1427. Opencast Coal (Requisitioned Woodlands) Regulations. Modifying certain of the compensation provisions of Act of 1958.

No. 1399. Manorial Documents Rules. Replacing Rules of 1926 and enabling Historical Manuscripts Commission to advise on steps to be taken for better preservation of documents.

No. 1396. Exchange of Securities (No. 2) Rules. Prescribing procedure on exchange of 3 per cent. War Loan 1955/59 for Conversion Stock and Treasury Stock.

No. 1460. Tuberculosis (Compensation) Amendment Order. Altering scale of compensation for bovine animals slaughtered under powers of Diseases of Animals Act, 1950.

No. 1507 (L. 11). Welsh Courts (Interpreters) Rules. Substituting new scale of fees.

No. 1510. Disabled Persons (Registration) (Amendment) Regulations. Amending Regulations of 1945 as regards disqualification and substituting new form of renewal application.

No. 1542. Increase of Pensions (India, Pakistan and Burma) Regulations. Authorising Secretary of State to increase certain pensions.

No. 1555. Farm Improvements (Standard Costs) Regulations. Modifying Regulations of 1958 as regards improvements for which approval given after September 17, 1959.

No. 1556. Livestock Rearing Land Improvement Grants (Standard Costs) Regulations. Prescribing elective method of calculation of a cost of work by reference to standard costs schedule.

No. 1569. Register of Patent Agents (Amendment) Rules. Substituting new list of maximum fees which may be charged by Chartered Institute of Patent Agents.

No. 1573. Superannuation (Local Government, Social Workers and Health Education Staff) Interchange Rules. Providing for aggregation of service in certain circumstances.

No. 1581. Town and Country Planning (Development Plans) (Amendment) Regulations. Amending Regulations of 1948 and 1954 and providing for submission of inset map and for definition in plans of areas of town development.

No. 1595 (C. 12). Family Allowances and National Insurance Act, 1959 (Commencement) Order. Bringing into force Section 2 which provides for appeals to Industrial Injuries Commissioner.

No. 1596. National Insurance (Industrial Injuries) (Determination of Claims and

Questions) (Amendment) (No. 2) Regulations. Providing for procedure on appeal or reference to Industrial Injuries Commissioner on point of law from medical appeal tribunal.

No. 1597. Building Society (Amendment) Rules. Revising form of notice to be given to prospective borrower where security is to be taken from third party.

No. 1609. Federated Superannuation System for Universities (Pensions Increase) Regulations. Providing for increases to be granted to persons who have been subject to F.S.S.U. during employment in the civil service.

### DECISIONS OF THE COURTS

#### Highway

Authority not empowered under either Road Traffic Act, 1956, or Public Health Act, 1875, to erect refuge on access from garage to road without compensation.

*Ching Garage Ltd. v. Chingford Corporation* (3 All E.R. 175).

#### Landlord and Tenant

Semble—that occupation within Section 23 (3) of Act of 1954 cannot be based on acts that are in breach of covenant.

*Narcissi v. Wolfe* (3 All E.R. 71).

Where question arises on form of notice to terminate a tenancy under Section 25 of Act of 1954 the originating summons applying for new tenancy should ask for the determination of the question.

*Bolton's (House Furnishers) Ltd. v. Oppenheim* (3 All E.R. 90).

#### Privilege

Copy of hospital case notes prepared by plaintiff's solicitors for purposes of the action held privileged from production.

*Watson v. Cammell Laird & Co. Ltd.* (2 All E.R. 757).

#### Rates

As main object of organisation was to do good to itself, that is to its members, such purpose was not charitable nor was it "otherwise concerned with advancement of social welfare."

*Waterson v. Hendon Borough Council* (2 All E.R. 760).

#### Restrictive Practices

Declaration made in a form which bound also a number of companies refusing to take part in the proceedings to effect that a restriction was contrary to public interest.

*Re Incorporated National Association of British and Irish Millers Ltd. Scheme* (2 All E.R. 780).

#### Statute Construction

A subject's recourse to the Courts for the determination of his rights is not to be excluded except by clear words.

*Pyx Granite Co. Ltd. v. Ministry of Housing and Local Government* (3 W.L.R. 346).

#### Trade Mark

The phonetic equivalent of a word which is unregistrable as a trade mark is itself unregistrable.

*Electrix Ltd. v. Electrolux Ltd.* (3 All E.R. 170).

### ARTICLES

*Solicitors' Journal*  
Vol. 103, page

The Winding Up of Companies 681, 703, 723

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Privileged Documents — Accident

Reports .. 701

Occupiers and Applications for Extensions .. 707

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*Law Times*

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*Modern Law Review*

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Liability of Cleaners and Launderers .. 439

Hire-Purchase Agreements with Hirers

in Scotland .. 453

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### ABBREVIATIONS USED

All E.R. The All England Law Reports

T.N. The Times Newspaper

W.L.R. The Weekly Law Reports

Note: Taxation cases and articles excluded



### On Living Dangerously

In-buying and selling shares

There's

A sense of adventure

Not got from holding a debenture.

IAN HEALY

## The Student's Columns

### ACCOUNTING FOR CONTAINERS

THE COST OF containers such as crates, sacks and cases is nowadays very considerable. Proper control must be maintained over the cost, the procedure adopted depending on the policy of the business on two questions. Are containers to be charged out to customers or not? If charged out, is credit to be given when the containers are returned?

Consider the case where the containers are not returnable and are not charged out. In actual fact, the charge is really included in the price of the goods sold and any profit made on the containers is automatically included in the profit on sales. The debtors ledger account might be ruled with a special column to record and identify the containers sent out and not charged out. A containers account should be maintained: it is debited with the opening stock of packages and with the cost of acquiring additional containers, and credited with the closing stock. The balance on the account represents the expense of packing and containers, to be treated either as a distribution expense in the profit and loss account or as a charge to the manufacturing account (being part of the cost of putting the goods into a saleable condition).

Sometimes when the containers are non-returnable a separate charge is made for them. Then the sales day book should have a separate column in which the charges would be entered. The total is credited to the containers account, the debits being put to the customers' accounts in the debtors' ledger. The balance in the containers account, subject to stock, is written off in the way given in the preceding paragraph. The ledger accounts of the customers show the containers in their hands.

Another variant is that the packages are returnable but are not charged out. Then the procedure as to separate columns in the sales book and ledger is followed (as already outlined above). When the returned containers are received, the numbers are recorded—probably by the gate office—and from this record, postings are made to the credit side of the customers' accounts, the balances of which will periodically reveal the number of packages still in the hands of the customers.

Most important, however, is the case where the containers are returnable and charged out when sent, appropriate amounts being credited on return. Sometimes the containers are charged out at cost, but often at a higher figure, to cover depreciation, waste and repairs or perhaps merely to induce the customers to return them. The credit

may be less than the price at which the containers are charged out, and frequently a time limit is imposed after which they will no longer be returnable. A containers stock account should be debited with the cost of containers purchased and also with the stock brought forward from the previous period. There are separate "containers" columns in the sales day book, in which the charges are entered and posted to the debit of the customers' personal accounts. The totals charged out are credited periodically to a containers suspense account. This account will be concerned with the movements of packages to and from the customers. The returns inwards book, like the sales day book, should have a special column from which postings will be made to the credit of the personal accounts and, in total, to the debit of the containers suspense account. It should be observed that the opening balance on the package suspense account represents the opening reserve for returnable packages. Thus at any given time the balance in the suspense account represents the total charged out in respect of returnable containers still in the hands of the customers, and, incidentally, forming part of the debit balances on the customers' personal accounts. It becomes necessary to deduct this figure from the total of those debit balances, in arriving at the correct total of sundry debtors for entry on the balance sheet.

The containers in the hands of customers are valued at cost less depreciation and included in the figure of stock of containers brought down in the containers stock account. When containers are retained by customers, the permissible time limit having expired, they must be eliminated from stock and credited to the containers stock account. The corresponding debit is made to the suspense account as an offset to the credit entries in that account when the containers were originally charged out.

As already stated, the credit given on return may be greater or less than the charging out price. If greater, the debit entries in the suspense account (on return) will cover the amounts credited to that account on charging out. This debit difference is an expense which should be transferred to containers account. Where, on the other hand, the credit given on return is lower than the charging out price, a profit is made on the containers concerned; this profit will be transferred to the credit of containers account, so that the balance on that account, after bringing down the correct value of containers in stock and in

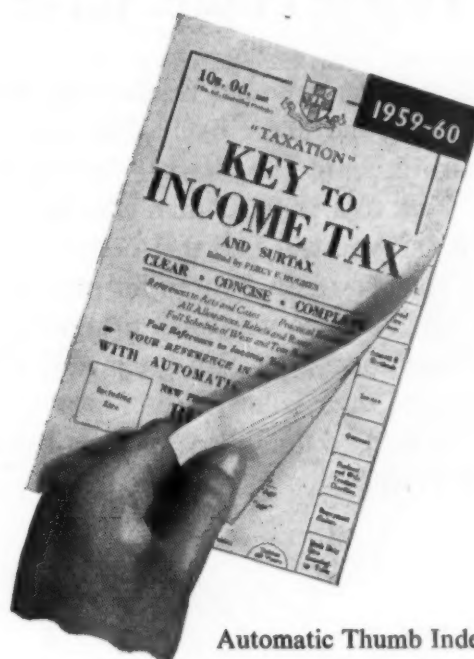
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## SETON TRUST LIMITED

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TELEGRAMS: Setru Stock London

Consider the following examination question set recently.

tions were:

|                          |                   |
|--------------------------|-------------------|
| Purchases .. .. .        | 8,000 at 3/- each |
| Charged to customers ..  | 30,000            |
| Returned by customers .. | 25,000            |

On December 31, 11,000 boxes invoiced since September 30 were still in the customers' hands.

The answer runs:

|      |   |  |    | Rate | Quantity      | Value<br>£   |      |  |    |     | Rate          | Quantity     | Value<br>£ |
|------|---|--|----|------|---------------|--------------|------|--|----|-----|---------------|--------------|------------|
| Jan. | 1 | Balance: Factory ..                            | .. | 2/-  | 2,000         | 200          | Dec. | Sales .. .. .                            | .. |     | 800           | 10           |            |
|      |   | Customers ..                                   | .. | 2/-  | 7,000         | 700          |      | Suspense account<br>(Profit on boxes) .. | .. |     |               | 1,500        |            |
| Dec. |   | Purchases during year ..                       | .. | 3/-  | 8,000         | 1,200        |      | Boxes retained ..                        | .. | 9/- | 1,000         | 450          |            |
| "    |   | Profit and Loss a/c (profit<br>on boxes) .. .. |    |      |               | 1,380        |      | Balance: Factory ..                      | .. | 2/- | 4,200         | 420          |            |
|      |   |  |    |      |               |              |      | Customers ..                             | .. | 2/- | 11,000        | 1,100        |            |
|      |   |  |    |      | <u>17,000</u> | <u>3,480</u> |      |  |    |     | <u>17,000</u> | <u>3,480</u> |            |

|         |  | Rate | Quantity      | Value<br>£    |         |   | Rate | Quantity      | Value<br>£    |
|---------|--|------|---------------|---------------|---------|---|------|---------------|---------------|
| Dec. 31 | Boxes returned by customers                  | 9/-  | 25,000        | 11,250        | Jan. 1  | Balance (boxes in customers' hands) .. .. | 9/-  | 7,000         | 3,150         |
|         | Stock—Boxes retained by customers .. ..      | 9/-  | 1,000         | 450           | Dec. 31 | Charged to customers ..                   | 10/- | 30,000        | 15,000        |
|         | Profit of 1/- on 30,000 boxes sent out .. .. |      |               | 1,500         |         |   |      |               |               |
|         | Balance (boxes in customers' hands) .. ..    | 9/-  | 11,000        | 4,950         |         |   |      |               |               |
|         |  |      | <u>37,000</u> | <u>18,150</u> |         |   |      | <u>37,000</u> | <u>18,150</u> |

|  |     |              |
|--|-----|--------------|
| Depreciation of 8,000 boxes purchased for 3/- (stock value, 2/-) | 400 |              |
|  |     | 470          |
|  |     | <u>1,380</u> |

reliefs against his own income, these allowances and reduced rate reliefs may have to be restricted (as the reduced rate reliefs are restricted in Illustration (2) ) so as to collect at the standard rate the income tax on the annual charges that he pays.

**Illustration (1)**

Mr. A, married with one child aged six and paying a life assurance premium on his own life of £12, has the following income only: earned, £1,020; leasehold house, net annual value, £40. He pays a ground rent of £10 and fixed mortgage interest of £50. National Insurance Contributions (N.I.C.) allowable are £19.

**Computations (1959/60)**

|                               | £  | £  | £     | £  |
|-------------------------------|----|----|-------|----|
| Earned income .. .. .         |    |    | 1,020 |    |
| Schedule A (Sch. A) .. .      |    |    |       | 40 |
| Deduct: Ground rent (G.R.) .. | 10 |    |       |    |
| Mortgage interest .. .        | 50 |    |       |    |
|                               | 60 | 20 |       | 40 |
| N.I.C. .. .. .                |    | 19 |       |    |
|                               |    |    | 39    |    |
| His own income is .. .. .     |    |    | 981   |    |

|  | £   | £ s. d. |
|--|-----|---------|
| Deduct: Earned income allowance (E.I.R.) 2/9ths of £981                      | 218 |         |
| Personal allowance (P.A.)  | 240 |         |
| Child allowance (Ch.A.)  | 100 |         |
| Life assurance allowance (L.A.R.) .. .. .                                    | 10  |         |
|  | 568 |         |
|  | 413 |         |
| First £360 at reduced rates .. .. .  | 84  | 0 0     |
| £53 at 7s. 9d. .. .. .   | 20  | 10 9    |
| Tax to be borne .. .. .  | 104 | 10 9    |
| But A must keep in charge £60 at 7s. 9d. to cover the annual charges .. .. . | 23  | 5 0     |
| Total payable .. .. .  | 127 | 15 9    |

His assessment on earned income will look like this:

|   | £   | £     | £ s. d. |
|---|-----|-------|---------|
| Earned income .. .. .                         |     | 1,020 |         |
| N.I.C. .. .. .                                |     | 19    |         |
|   |     | 1,001 |         |
| E.I.R. .. .. .                                | 218 |       |         |
| P.A. .. .. .                                  | 240 |       |         |
| Ch.A. .. .. .                                 | 100 |       |         |
| L.A.R. .. .. .                                | 10  |       |         |
|   | 568 |       |         |
|   | 433 |       |         |
| First £360 at reduced rates .. .. .           |     | 84    | 0 0     |
| £73 at 7s. 9d. .. .. .                        |     | 28    | 5 9     |
|   |     | 112   | 5 9     |
| Payable under Sch. A., £40 at 7s. 9d. .. .. . |     | 15    | 10 0    |
| Total payable .. .. .                         |     | 127   | 15 9    |

Of the £127 15s. 9d. he recoups by deduction:

|  | £  | s. | d. |
|--|----|----|----|
| From ground rent, £10 at 7s. 9d. .. .. .       | 3  | 17 | 6  |
| From mortgage interest, £50 at 7s. 9d. .. .. . | 19 | 7  | 6  |
|  | 23 | 5  | 0  |

And so bears the right amount of £104 10s. 9d.

**Illustration (2)**

Mr. B has an earned income of £1,000 and a large holding in a company which pays its dividends so irregularly that in 1959/60 his unearned income (taxed at source) is only £10. In 1959/60 he has to pay N.I.C. (amount allowable) of £30 and loan interest of £300. He is married, with one child aged 4 and one 19 at a university, and he pays a life assurance premium of £130 on a policy for £1,600.

**Computations (1959/60)**

|  | £    | £        |
|--|------|----------|
| Earned income .. .. .                              |      | 1,000    |
| Unearned income .. .. .                            |      | 10       |
|  |      | 1,010    |
| Less: N.I.C. .. .. .                               | £30  |          |
| Loan interest .. .. .                              | £300 |          |
|  |      | 330      |
|  |      | 780      |
| E.I.R. .. .. .                                     |      | 174      |
| P.A. .. .. .                                       |      | 240      |
| Ch.A. .. .. .                                      |      | 250      |
| L.A.R. 2/5ths of 7% on £1,600 .. .. .              |      | 45       |
|  |      | 709      |
|  |      | 71       |
| £60 at 1s. 9d. .. .. .                             |      | 5 5 0    |
| £11 at 4s. 3d. .. .. .                             |      | 2 6 9    |
| Tax to be borne .. .. .                            |      | 7 11 9   |
| But he must keep in charge £290 at 7s. 9d. .. .. . |      | 112 7 6  |
| Total payable .. .. .                              |      | 119 19 3 |

The assessment will look like this:

|                                   | £         |
|-----------------------------------|-----------|
| Earned income .. .. .             | 1,000     |
| N.I.C. .. .. .                    | 30        |
|                                   | 970       |
| Allowances as above .. .. .       | 709       |
|                                   | 261       |
| At reduced rates as above .. .. . | 7 11 9    |
| £290 at 7s. 9d. .. .. .           | 112 7 6   |
|                                   | £119 19 3 |

The other £10 of annual interest is covered by the income taxed at source.

(Concluded)



## Notices

The Accountants' Christian Fellowship will hold a meeting for Bible reading and prayer in the vestry at St. Mary Woolnoth Church, King William Street, London, E.C.4, at 12.30 p.m. on November 2. The scripture will be John, Chapter 8, verses 28 to 32 (true discipleship in keeping His word). On November 10 at 6 p.m. in the Oak Hall of the Institute of Chartered Accountants, Moorgate Place, E.C.2, there will be an address "Can I know God?" by Mr. Arnold Aldis, F.R.C.S., Cardiff, followed by a short discussion.

A series of discussion meetings will be held on January 20 and 21, 1960, at the Institution of Electrical Engineers in Savoy Place, London, on **Managerial and Engineering Aspects of Reliability and Maintenance of Digital Computer Systems**. The meetings are being held under the aegis of Group B of the British Conference on Automation and Computation. The first day's programme is arranged by the British Computer Society, and the second by the Institution of Electrical Engineers.

The British Institute of Management is to hold its 14th National Conference in Harrogate from Tuesday, November 17, to Thursday, November 19. Mr. John Hay Whitney, the United States ambassador, will open the conference and Lord Baillieu, President of the Dunlop Rubber Company, will be the speaker at the closing dinner. Papers to be given will cover all aspects of management from "Private enterprise in a 'family' of firms" to "The Discriminating Consumer." A sixth regional office of B.I.M. is to be opened at St. Giles House, Quay Street, Bristol (Bristol 24763) to act as headquarters of the South Wales and West of England Regional Council, of which Mr. R. Ashley Hall is chairman. The new regional manager will be Mr. I. D. Cunningham.

The South-Western Gas Board held a ceremony, performed by Lady Smith, wife of the chairman of the Gas Council, at Bath on September 22 to mark the inauguration of a mechanised accounting centre for the whole area, extending from Evesham to Penzance. The equipment consists at present of two programme controlled electronic computers of International Computers and Tabulators Ltd. and one—later to be increased to four—"Samastronic" tabulator. When installation is complete all accounting and costing activities of the Board will be handled by a fully-integrated electronic scheme. In collaboration with the

Board, I.C.T. has produced a twenty-minute coloured film showing a computer in action, providing a vivid account of rationalisation in this section of the gas industry.

**Towards a Modern Monetary Standard** is the title of the Stamp Memorial Lecture, to be delivered by Dr. Per Jacobsson, Chairman of the Executive Board and Managing Director of the International Monetary Fund, at the University of London Senate House, London, W.C.1, at 5.30 p.m. on November 19. The chair will be taken by Mr. C. F. Cobbold, Governor of the Bank of England. Admission is free, without ticket.

The International Committee of Scientific Management (C.I.O.S.) has organised an **International Management Congress**—the first to be held in the Pacific Region—to meet in Australia from February 22 to March 4, 1960. It is expected that some 2,000 delegates will attend. Papers have been promised by over a dozen countries. Lord Verulam, chairman of the British Institute of Management, and Lord Baillieu, its first president-elect, will attend. Lord Baillieu will open the first session in Melbourne, and the second will be opened by Mr. R. G. Menzies, Prime Minister of Australia. The Congress, the twelfth organised by C.I.O.S., has received a warm welcome from Sir David Eccles, President of the Board of Trade.

**Independent Traders Syndicate** is the name given by Oliver Heath Ltd., the credit management company, to limited companies formed to enable local traders to group together to provide budget plan facilities designed to give the public a credit service equivalent to that of the department store. Credit management is run by Mr. Gasson, a member of the Institute of Credit Management, who reports that the big banks have been extremely helpful in the development.

The Institute of Chartered Accountants of Scotland has arranged a **group scheme** for

**disability insurance**. Members of the Scottish Institute, employees of practising members and employees of the Institute are eligible to join if they are between twenty and sixty years of age and normally resident in the United Kingdom. It is a term of the scheme that the Century Insurance Co. Ltd. must continue the insurance for the full pre-arranged term without reducing the benefits or increasing the premiums: this gives security for many years ahead.

The Trustees of **Sir John Morden's Charity** invite applications from single men and married couples of good character, at least sixty years of age and in reduced circumstances, to fill vacancies in their homes and for appointment as out-pensioners. Candidates must be or have been merchants or holders of managerial positions in commerce or in or in connection with the Merchant Navy, or have otherwise ventured their experience and capital in some trade or profession. Further particulars can be obtained from the Clerk to the Trustees, Morden College, Blackheath, London, S.E.3.

The **Thermofilmer** is a compact machine about the size of a typewriter which coats documents with a very thin plastic covering, making them proof against any maltreatment. The coating, which is transparent, so that any printed or written matter on the documents is entirely legible, can itself be written upon. After "thermofilming," a document cannot be torn, dirtied or stained (and documents already torn are automatically repaired as they go through the machine); they also take on a more attractive appearance. Accounts for presentation to clients could with advantage be thermofilmed, so could important working papers whose preservation is important, but these are only examples of possible uses for this interesting new machine. It is sold by T.S. (Office Equipment) Ltd., of 140-148 Borough High St., London, S.E.1, at £140. To thermofilm a document costs about 4½d. (ignoring the cost of the machine).

### C.A.E.S.S.

The Institute of Chartered Accountants in England and Wales has founded the Chartered Accountants Employees Superannuation Scheme to enable pensions to be provided for your staff.

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# The Institute of Chartered Accountants in England and Wales

## Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on October 7, 1959, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. C. U. Peat, M.C., President, in the chair; Mr. E. Baldry, O.B.E., Mr. C. Percy Barrowcliff, Mr. W. L. Barrows, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. P. F. Carpenter, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. J. Clayton, Mr. C. Croxton-Smith, Mr. W. G. Densem, Mr. S. Dixon, Mr. W. W. Fea, Mr. J. Godfrey, Mr. G. G. G. Goult, Mr. P. F. Granger, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Mr. P. D. Irons, Mr. J. A. Jackson, Mr. W. H. Lawson, C.B.E., Mr. H. L. Layton, Mr. R. B. Leech, M.B.E., Mr. R. McNeil, Mr. J. H. Mann, M.B.E., Mr. R. P. Matthews, Mr. Bertram Nelson, C.B.E., Mr. W. E. Parker, C.B.E., Mr. F. E. Price, Mr. P. V. Roberts, Mr. L. W. Robson, Sir Thomas Robson, M.B.E., Mr. K. G. Shuttleworth, Mr. C. M. Strachan, O.B.E., Mr. J. E. Talbot, Mr. E. D. Taylor, Mr. A. D. Walker, Mr. A. H. Walton, Mr. V. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, C.B.E., M.C., Mr. E. K. Wright, Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

### Presentation of Prizes

In presenting prizes and certificates to those candidates who were able to attend the meeting of the Council, the President said:

My first words to you, gentlemen, must be of welcome and congratulations. Criticisms have reached me about this little ceremony suggesting that it is inadequate for the occasion, and we are looking into the matter with a view to improving it in future. But however inadequate the ceremony may be it does not detract from the sincerity of our welcome and congratulations to you on your successes in the examinations. Whenever I think of prize-winners or those who get high places in examinations I am reminded of a true story told to me when I was attached to Messrs. Price, Waterhouse and Co. forty years ago in New York. Mr. May, their then senior

partner, told me that he and the next senior to him were interviewing a possible recruit to their staff in America, a qualified man from England. They asked him amongst other questions how he had done in his exams, whether he had got a prize or got a high place. He replied somewhat rashly that he hadn't done anything like that and that, as far as he knew, people who had been successful in that way rarely did any good afterwards. This was an unfortunate thing to say because both the partners in Messrs. Price, Waterhouse and Co. to whom he was speaking had been first in the Final examination of the Institute and were at that time the most successful and expert accountants in North America. (Laughter.) The moral of this story is that success in the exams, as Winston Churchill once said, should not be regarded as a sofa to recline on but as a springboard for a further advance. You young men are gifted with a capacity which many of us envy of being able to pass exams with great credit, which indicates both concentration and ability. You must use these great gifts not only for the furtherance of your own careers but, as Lord Montgomery said, you must look outwards and, with a sense of intelligent self-interest, do all you can to help the profession to which you will belong, a family of 32,000 people who are facing a stage of great development which is in every respect both very critical and exciting. We as a Council have the responsibility of administering the affairs of the Institute. I cannot this morning go into the details of all the committees of the Institute and the work they do, but I can only hope that you young men will familiarise yourselves with the work of the Council and when the time comes take your fair share in it. In conclusion, let me once more offer you on behalf of the Council of the Institute our most sincere congratulations and good wishes for the future. (Applause.)

### INSTITUTE EXAMINATIONS FINAL

*Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prize for the paper on English Law (Part II)*

P. M. Burnham (M. D. Carr), London

### *Third Certificate of Merit and the Plender Prize for the paper on Taxation*

B. R. Dunn (W. L. Dunn) Nottingham

### *Fourth Certificate of Merit (Equal)*

J. B. Barton (P. H. Blandy) Nottingham

### *Fourth Certificate of Merit (Equal), the Frederick Whinney Prize and the Plender Prizes for the papers on Advanced Accounting (Part I) and Advanced Accounting (Part II)*

G. Goddard (V. P. Edwards) Worthing

### *Seventh Certificate of Merit*

R. A. Duparc (L. B. Prince) London

### *Eighth Certificate of Merit*

B. F. G. Finlay (Sir William Carrington) London

### *The William Quilter Prize and the Plender Prize for the paper on Auditing*

J. R. Leigh (R. W. Leigh) London

### *The Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting*

D. Auerbach (B. Keane) London

### INTERMEDIATE

### *First Certificate of Merit, the Institute Prize, the Stephens Prize, the Frederick Whinney Prize, and the Plender Prize for the paper on Taxation and Cost Accounting*

A. W. Davies (C. I. Steen) London

### *Seventh Certificate of Merit (Equal)*

K. E. Loney (E. R. Siddle) Taunton

H. Pullan (H. Anderson) Leeds

### *Ninth Certificate of Merit*

J. P. Dornton (H. M. Hawthorne) London

### *Eleventh Certificate of Merit*

R. A. A. Hepworth (O. B. T. Bennett) Oxford

### *Fifteenth Certificate of Merit*

A. C. Langridge (A. E. Burton) London

### *Eighteenth Certificate of Merit and the Plender Prize for the paper on Book-keeping and Accounts (Limited Companies)*

M. O. Penney (H. W. C. Airey) London

### *The Plender Prize for the paper on Book-keeping and Accounts (Executorship)*

A. W. Kay (W. T. R. Masterson) London

### SOCIETY EXAMINATIONS

### *An Honours Certificate was awarded to the following Intermediate candidate:*

K. S. Potter (S. Potter) Great Yarmouth

### Fellowship

The Council decided that the following statement be published as part of the proceedings of the Council:

The resolution passed at the special meeting of members on June 2, 1959, and subsequently on a poll of all members was confirmed at the special meeting of members



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held on August 5, 1959. Application has accordingly been made for the allowance by Her Majesty in Council of the amendments to the Royal Charters and Bye-laws as set out in the resolution. The resolution specifies January 1, 1960, as the operative date for the change in the basis on which associates become fellows and the similar change in the basis on which incorporated accountant members A.S.A.A. become F.S.A.A. The resolution also specifies January 1, 1960, as the operative date for the reduction in the rates of subscription payable by fellows. Members who pay their subscriptions by bankers' order have been advised of any amendment which will be necessary. Otherwise no action by members is required. Effect will be given to the changes, both as regards class of membership and subscription rate, on the subscription notices issued for 1960.

#### Exemption from the Preliminary Examination

Four applications under bye-law 79 for exemption from the Preliminary Examination were acceded to.

#### Exemption from the Intermediate Examination

One application under bye-law 85 (b) for exemption from the Intermediate Examination was not acceded to.

#### Reduction in Period of Service under Articles

Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to. One application was refused.

#### Registration of Articles

The Secretary reported the registration of 528 articles of clerkship during August and September, the total number since January 1, 1959, being 1,557.

#### Admissions to Membership

The following were admitted to membership of the Institute:

AGYEMAN, ALBERT KOFI; A.C.A., 1959; Kumasi College of Technology, Kumasi, Ghana, West Africa.  
 ASHTON, ROY ALFRED; A.C.A., 1959; 6 Sandringham Road, Hackney, London, E.8.  
 BAINS, NORMAN; A.C.A., 1959; 56 Newminster Road, Newcastle upon Tyne, 4.  
 BARNES, JOHN DOWN, M.A.; A.C.A., 1959; 2 Ryndleside, Oakes, Huddersfield.  
 BARROW, SIMON RICHARD; A.C.A., 1959; St. George's Lodge, Sandwich, Kent.  
 BECKER, MICHAEL EDMUND LEIGH; A.C.A., 1959; 70 Eccleston Square, London, S.W.1.  
 BOWES LYON, SIMON ALEXANDER, B.A.; A.C.A., 1959; 12 Morpeth Mansions, London, S.W.1.  
 §BOYNTON, NORMAN STUART; A.S.A.A., 1959; with Peat, Marwick, Mitchell & Co., P.O. Box 1301, Bulawayo, South Rhodesia.  
 BUCKLEY, ANTHONY JAMES HENTHORNE, B.A., LL.B.; A.C.A., 1959; 25 Middleton Crescent, Beeston, Notts.  
 BURGESS, JOHN; A.C.A., 1959; 12 Beaconsfield Street, West Bromwich, Staffs.

BURROWS, PETER ANTHONY; A.C.A., 1959; 91 Claremont Road, Wallasey, Cheshire.  
 CAIN, ROBERT NEIL; A.C.A., 1959; "Wynloe," Marylebone, Wigan, Lancs.  
 CLARKE, BRIAN REGINALD; A.C.A., 1959; 1 Waincliffe Drive, Leeds, 11.  
 CORNELIUS, DONALD ERNEST POPHAM; A.C.A., 1959; (S. 1939); 47 The Croft, Bradley Road, Trowbridge, Wilts.  
 §DEWAR, JOHN BRUCE; A.S.A.A., 1959; 64 Rutland Road, Parkwood, Johannesburg, Transvaal, South Africa.  
 DUNN, BRIAN RUSSELL; A.C.A., 1959; with Chamberlain & Merchant, Park House, Friar Lane, Nottingham.  
 FORTH, WILLIAM HENRY; A.C.A., 1959; with Baker, Sutton & Co., Eldon Street House, Eldon Street, London, E.C.2.  
 GOTTESMAN, JOHN MICHAEL; A.C.A., 1959; 73 Aubert Court, Avenell Road, London, N.5.  
 GOULD, THOMAS VAUGHAN, B.SC.(ECON.); A.C.A., 1959; 3 Russell Hill, Purley, Surrey.  
 HAREL, MARIE FRANCOIS JACQUES; A.C.A., 1959; 115 Chatsworth Court, Pembroke Road, London, W.8.  
 §HARTLEY, DONALD; A.S.A.A., 1959; 16 Spring Court Road, The Ridgeway, Enfield, Middx.  
 HASLETT, DAVID FRANCIS; A.C.A., 1959; 80 Carlton Road, Walton-on-Thames, Surrey.  
 HEBBLETHWAITE, RICHARD JEREMY, B.A.; A.C.A., 1959; Field House, Kirton, Ipswich.  
 HODGKINSON, ERIC; A.C.A., 1959; 50 Kirkhill, Sheshed, near Loughborough, Leics.  
 JONES, DEREK EDWARD; A.C.A., 1959; 248 Rocky Lane, Perry Barr, Birmingham, 22B.  
 LAWSON, JAMES DOUGLAS; A.C.A., 1959; 7 Slenningford Grove, Shipley, Yorks.  
 PARRY, RONALD; A.C.A., 1959; 75 Northmead Road, Allerton, Liverpool, 19.  
 §PHILLIPS, VERNON FRANCIS; A.S.A.A., 1959; 147 Plants Hill Crescent, Tile Hill, Coventry.  
 REECE, LESLIE, B.A.(COM.); A.C.A., 1959; 6 Moss Bank, Crumpsall, Manchester, 8.  
 ROBERTS, RICHARD EDWIN STACE; A.C.A., 1959; 90 Beechwood Road, Sanderstead, Surrey.  
 §ROBINSON, WILLIAM MAYTHAM; A.S.A.A., 1959; 3 Abbotswold Road, Saxonwold, Johannesburg, South Africa.  
 SCARR, WILLIAM LOWTHER; A.C.A., 1959; Wharfedale Hall, Boston Spa, Yorks.  
 §SEALEY, THOMAS ALLAN; A.S.A.A., 1959; 59 Larchfield Road, Roebuck Park, Dundrum, Co. Dublin.  
 SEDDOH, ELLIOT EDWARD; A.C.A., 1959; c/o C. K. Agbanyo, P.O. Box 933, Cocoa Marketing Board, Ghana, West Africa.  
 SHAW, FRANK LINDLEY, B.COM.; A.C.A., 1959; c/o Canadian National Railways, General Superintendent's Office, Northern Ontario Area, Capreol, Ontario, Canada.  
 SMITH, ANTHONY JOHN; A.C.A., 1959; 2 Lower Hester Street, Northampton.  
 SMITH, CHARLES WILLIAM; A.C.A., 1959; with Uganda Transport Co. Ltd., P.O. Box 638, Kampala, Uganda.  
 SMITH, DAVID RILEY; A.C.A., 1959; 6 Springfield Terrace, Scholes, Cleckheaton, Yorks.  
 SMITH, KENNETH GEORGE; A.C.A., 1959; 3 De la Pole Terrace, Symons Street, Hull.  
 USSHER, JOSEPH ROLLAND; A.C.A., 1959; with Walpole & Co., 9 Liverpool Gardens, Worthing.  
 WHITE, MICHAEL JOHN; A.C.A., 1959; 5 Manor Drive, Surbiton, Surrey.  
 WILLIAMSON, ROY; A.C.A., 1959; c/o Greenhalgh, Sharp & Co., 30 Brown Street, Manchester, 2.  
 WOOD, ALLEN THORNTON; A.C.A., 1959; 108 Sale Road, Wythenshawe, Manchester, 23.  
 WOOD, PETER LESLIE; A.C.A., 1959; 4 Cliff Terrace, Marske, near Redcar, Yorks.

#### Elections to Fellowship

The following were elected to fellowship:

KNIGHT, CHARLES WILLIAM GEORGE; A.C.A., 1953; (H. Thomas & Co.), 349 Winchester House, Old Broad Street, London, E.C.2.  
 PALFREYMAN, RONALD ARTHUR; B.SC.(ECON.); A.C.A., 1953; (Gordon Emery & Co.), Central Chambers, Red Lion Square, Heanor, Derbyshire, and at Alfreton, Blackpool, Derby and Manchester.  
 SANDFORD, HENRY BERNARD CHAMBERLAIN; A.C.A., 1950; (Creasey, Son & Wickenden), 12 Lonsdale Gardens, Tunbridge Wells, and at Chatham, London and Tonbridge.  
 SPRANGE, REGINALD SYDNEY; A.C.A., 1952; (\*Maurice Andrews & Co.), Mitre House, 13/15 High Street, Sutton, Surrey.  
 WALTON, ARTHUR KEAN; A.C.A., 1952; (Eastwood, Townend & Co.), Commerce House, Cheapside, Bradford 1.

#### Use of Letters F.S.A.A.

One application from the following incorporated accountant member A.S.A.A. to use the letters F.S.A.A. under clause 4 (b) of the scheme of integration referred to in clause 34 of the Supplemental Charter was acceded to:

BROIDE, HENRY; (1958); A.S.A.A., 1956; (H. Tarley & Co.), Trust House, Thibault Square, Cape Town, South Africa.

#### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

BARRY, GERALD ROBERT; A.C.A., 1958; (S. 1953); (George C. Wilkinson & Co.), South House, 136 Borough Road, Middlesbrough; and at Redcar.  
 BINKS, REDVERS GERALD; A.C.A., 1958; (S. 1957); 37 Cublington Road, Leamington Spa.  
 BOWDER, DONALD; A.C.A., 1958; (H. F. Hodson & Co.), The Manor House, Manor Street, Bradford, 1.  
 BURDEN, ARTHUR JAMES; A.C.A., 1951; (Beever & Struthers), 1 Cooper Street, Manchester, 2.  
 CALDER, MICHAEL JOHN, B.A.; A.C.A., 1959; (W. J. Calder, Sons & Co.), 90 Jermyn Street, London, S.W.1.  
 CHAPMAN, RICHARD ALFRED; A.C.A., 1959; "Palma Nova," Hildale, West Town Park, Backwell, near Bristol.  
 DAVIS, KENNETH; A.C.A., 1955; 40 Emery Street, Walsall.  
 DAVISON, JOHN BARRY, B.SC.; A.C.A., 1959; (\*Kenneth R. Morris & Co.), 11 New Road, Bromsgrove, Worcs.  
 FARLEY, JAMES; A.C.A., 1958; (S. 1938); (\*Potter & Pollard), 850 Wimborne Road, Bournemouth.  
 FOREMAN, JOHN EDWARD JAMES; A.C.A., 1958; (Foreman & Hill), Liberal Club Buildings The Acre, Windsor, Berks.  
 GAINSFORD, ALAN NOEL; A.C.A., 1959; (Gainsford, Elliott & Co.), 17 Watchfield Court, London, W.4.  
 HALLAM, JOHN STUART; A.C.A., 1958; (S. 1949); 88 Glendyke Road, Allerton, Liverpool, 18.  
 HIGHTON, NOEL MARK EDWARD; A.C.A., 1938; (Noel Highton & Co.), Times Building, South Street, Cockermouth, Cumberland.  
 HUNTINGFORD, DONALD ROY; A.C.A., 1958; (S. 1949); (Clark, Battams & Co.), 32 Victoria Street, Westminster, London, S.W.1.

JENNINGS, HENRY ALDERSON; A.C.A., 1952; (Griffith & Jennings), Westmorland Chambers, 31 Stricklandgate, Kendal.

JONES, DOUGLAS LLEWELLYN; A.C.A., 1958; 120 Gloucester Court, Kew, Surrey.

LINDSEY, JOHN WALTER REGINALD; A.C.A., 1958; (S. 1950); (Clark, Battams & Co.), 32 Victoria Street, Westminster, London, S.W.1.

MACK, SHEILA (Miss); A.C.A., 1953; (\*Coates & Partners), Chantry House, 51 Church Street, Ashbourne, Derbyshire.

MARSON, FRANCIS WILLIAM; A.C.A., 1938; (\*Coates & Partners), Chantry House, 51 Church Street, Ashbourne, Derbyshire.

PRATT, ROGER THOMAS MERVYN; A.C.A., 1958; 66 Kinsale Road, Knowle, Bristol, 4.

PROUD, RONALD; A.C.A., 1958; (S. 1953); (Thorne, Widgery & King), 13 Castle Street, Brecon, and at Hereford.

SHEARS, FREDERICK CHARLES PHIPHARD; A.C.A., 1959; (Gray, Stainforth & Co.), De Walden Court, 85 New Cavendish Street, London, W.1, and Monument Buildings, 11-15 Monument Street, London, E.C.3.

SIMMONDS, JOHN ANTONY; A.C.A., 1958; (Coulthard, Thomas & Son), 10 Norfolk Street, Strand, London, W.C.2.

STEBBING, FREDERICK; A.C.A., 1958; (S. 1956); 27 Irene Road, London, S.W.6.

TWOGOOD, DENNIS ALBERT; A.C.A., 1955; (G. Grayrigge & Co.), 46 Bedford Row, London, W.C.1, and (R. F. Farnes & Co.), 159 Praed Street, London, W.2.

TYABJI, FAIZ SALMAN BADRUDDIN, B.SC. (ECON.); A.C.A., 1959; (F. S. B. Tyabji & Co.), 24 St. Edmund's Terrace, London, N.W.8.

WARLOW, JOHN MEDCALF; A.C.A., 1951; (Warlow & Fair), 49 Moor Street, Ormskirk, Lancs.

WINCHCOMBE, VICTOR MATTHEW; A.C.A., 1952; (†Elles, Reeve & Co.), 4 Bucklersbury, Cheapside, London, E.C.4.

#### Readmissions to Membership

Subject to payment of the amounts required by the Council, four former members of the Institute were re-admitted to membership under clause 23 of the Supplemental Royal Charter. Two applications were refused.

#### Change of Name

The Secretary reported that the following change of name has been made in the Institute's records:

SMITH, MARTIN HAMMOND CABOURN to CABOURN SMITH, MARTIN HAMMOND.

#### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

ASHWORTH, HARRY, A.C.A., Ashton-under-Lyne.

BENNETT, PERCY HOUGHTON, F.C.A., Warrington.

BRETT, DAVID WILLIAM, A.C.A., Norwich.

§ Means "incorporated accountant member" Firms not marked † or \* are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

\* Against the name of a firm indicates that the firm is not wholly composed of members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

CHAPMAN, GEORGE WILLIAM, A.C.A., Harrogate.

DREVER, GEORGE RICHAN, F.C.A., Kettering.

DUCKWORTH, KAYE, A.C.A., Deal.

ECKERSLEY, JAMES WILLIAM, F.C.A., Manchester.

FORD, REGINALD SEVERN, F.C.A., Holland-on-Sea.

GARSDIE, FREDERICK HENRY, A.C.A., Sheffield.

GREGORY, TERENCE SYDNEY JOHN, A.C.A., Dar-es-Salaam.

HIGGINS, AUBREY BERNARD, A.C.A., Mexico City.

HOLMES-WALKER, BERNARD, T.D., A.C.A., Manchester.

JENKINS, JOHN ELVET, A.C.A., London.

KACHEL, EDWIN PAUL, F.C.A., London.

KEEN, JOHN HOWARD, A.C.A., Whitley Bay.

MALPAS, CHESHYRE, A.C.A., Est-do Rio, Brazil.

MASSEY, WILLIAM GEOFFREY, A.C.A., Alderley Edge.

METCALF, ROBERT WILLIAM, F.C.A., London.

MILLWARD, ALFRED, F.C.A., Rotherham.

NOCK, FRED, F.S.A.A., Halesowen.

ORGAN, WILLIAM WILKINSON, F.C.A., Sheffield.

RICE, LESLIE JAMES, A.C.A., London.

ROWLAND, JOHN MICHAEL CHESNEY, A.C.A., Montreal.

RUSSELL, PATRICK WILLIAM GEORGE, A.C.A., Leicester.

SLADEN, KENNETH REGINALD LAMBART, F.C.A., London.

SNAITH, JOHN, A.C.A., Leicester.

SOLE, DENNIS GEORGE, F.C.A., London.

SOUTHERN, ALBERT EDWARD, F.C.A., Manchester.

SPINKS, BERNARD CHARLES ALBERT, A.C.A., London.

STEAD, CHARLES FREDERIC, F.C.A., Bebington.

TODD, WILLIAM DUNCAN CRANSTOUN, F.C.A., London.

TURNER, ERNEST, A.C.A., Southport.

WALTON, HARRY BAILEY, F.C.A., Bowden, Cheshire.

WATSON, ARTHUR WILFRED, F.C.A., Birmingham.

spector of Taxes an account of another business purporting to be a true trading and profit and loss account which was false; (c) two charges that with intent to defraud he delivered to an Inspector of Taxes balance sheets of the business referred to in (b) above at June 30, 1955, and June 30, 1957, respectively, which were false, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Ralph Shimmin, A.C.A., had been proved and the Committee ordered that Ralph Shimmin, A.C.A., of 15 Crawford Road, Hatfield, Herts, be excluded from membership of the Institute.

## Taxation and Research Committee

THE ONE-HUNDRED-AND-FOURTH meeting of the Taxation and Research Committee was held at the Institute on Thursday, September 17, 1959.

#### Present

Mr. E. N. Macdonald, D.F.C. (in the Chair), Messrs. R. D. R. Bateman, M.B.E., C. V. Best, R. A. Chermiside, J. B. L. Clark, C.B.E., L. H. Clark, H. O. H. Coulson, S. M. Duncan, W. F. Edwards, A. R. English, F. J. Eves, E. S. Foden, C. R. P. Goodwin, N. B. Hart, O.B.E., W. S. Hayes, J. S. F. Hill, G. N. Hunter, R. O. A. Keel, G. P. Morgan-Jones, A. H. Proud, J. D. Reekie, D. W. Robertson, B. D. Shaw, H. C. Shaw, H. Eden Smith, D. E. T. Tanfield, T. S. Welch, E. K. Wright, and G. H. Yarnell, with the Secretary.

#### Mr. E. Kenneth Wright, M.A., F.C.A.

The Committee recorded its great appreciation of the work of Mr. E. K. Wright as a member of the Committee since 1953 and as Chairman of the Taxation Sub-Committee and a member of a number of *ad hoc* and drafting sub-committees.

#### Standing Sub-Committees

Reports were received from the following Standing Sub-Committees: General Advisory Sub-Committee, Management Accounting Sub-Committee, Taxation Sub-Committee, Planning Sub-Committee.

#### Ad hoc Sub-Committees

Progress reports were received from three special sub-committees.

#### Future Meetings

The next meeting of the Committee was arranged for Thursday, October 22, 1959, and the following are the normal dates for other meetings during 1959/60: Thursday, December 10, 1959, and Thursdays, February 18, April 21, June 16, September 15, October 20, and December 15, 1960.

## Finding and Decision of the Disciplinary Committee

*Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at a hearing held on September 2, 1959.*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Ralph Shimmin, A.C.A., was at the General Quarter Sessions at St. Albans held on April 6, 1959, convicted of (a) one charge that with intent to defraud he delivered to an Inspector of Taxes an account of a business purporting to be a true trading and profit and loss account which was false; (b) one charge that with intent to defraud he delivered to an In-



\* DEPOSITS IN THE SOCIETY  
ARE TRUSTEE INVESTMENTS

**assets** **50,957,034**

**reserves** **3,005,296**



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## The Students' Society and the Articled Clerk

*This publication is issued by the Council of the Institute of Chartered Accountants in England and Wales primarily for the guidance of the committees of the chartered accountant students' societies and for the information of the committees of district societies and branches. Its significance for all members—and for practising members in particular—is such that the Council has felt justified in including it in the Members' Handbook. (This publication brings up to date and replaces the statement The Place of the Students' Societies in the Education of Articled Clerks, issued by the Council in August, 1951.)*

### THE IMPORTANCE OF STUDENTS' SOCIETIES

1. The Council of the Institute is anxious that principals and articled clerks should appreciate how important a part students' societies take in the professional training for membership of the Institute, and that the students' societies themselves should make every effort to improve and broaden the education which they can provide.

### Prescribed clauses in articles of clerkship

2. In August, 1946, the Council published a statement on the future training of articled clerks, an event of great significance to students' societies. That statement announced the Council's proposal for the inclusion of various prescribed clauses in all articles of clerkship, two of which were the clause requiring the articled clerk to become a member of a students' society and the clause requiring the principal to pay the entrance fee and annual subscription.

3. This proposal was fully implemented from December 21, 1948, when the supplemental Royal Charter was granted and the new bye-laws were allowed. Since then it has been obligatory (subject to the discretion of the Council in individual cases) to include in all articles certain clauses prescribed by the Council under the powers conferred by bye-law 51. The clauses which directly concern students' societies are:

### Covenants by or for the articled clerk

That within a period of three months after the commencement of his service under these articles the articled clerk will become a member of the local Chartered Accountant Students' Society or (where there is no local society) the Chartered Accountant Students' Society most convenient to him and shall maintain membership of such society throughout his period of service under articles.

That the principal shall have the right to ask for reports relating to the articled clerk from the appropriate Chartered Accountant Students' Society and from any tutors with whom the articled clerk may take a course of study.

### Covenants by the principal

That he will allow the articled clerk reasonable leave for attendance at lectures and students' society meetings and will afford him facilities for study or for obtaining theoretical instruction.

That he will allow the articled clerk a period of leave of not less than one month for full-time study prior to each occasion on which the articled clerk presents himself for an examination held by the Institute.

That he will pay to the students' society of which the articled clerk becomes a member ... the articled clerk's entrance fee and annual subscription.

4. The Council seldom permits the omission of any of the prescribed clauses. Normally, applications are granted only where clerks are much older than is usual at the time of entering into articles and where they have already had considerable experience in the profession. An application based solely on financial grounds will not be entertained.

5. The prescribed clause relating to payment of the clerk's subscription by the principal is regarded as serving a fourfold purpose. It ensures that there can be no possible financial reason to deter an articled clerk from joining a students' society; it enables the principal to satisfy himself that the clerk has carried out his obligation to join; it provides the principal with a useful reminder from time to time of his right to obtain reports from the society; and it emphasises the importance attached by the Council to the wider education provided by the students' societies in the training for membership of the Institute.

6. Where an articled clerk does not join a students' society in accordance with the terms of his articles the articled clerk and his principal will, in the event of persistent failure to join a students' society, be informed that the articles are regarded as ineffective for all purposes of the Royal Charters and bye-laws.

7. The prescribed clauses have been a major influence upon the development of the activities of students' societies. They have led to an increase in both the number of those societies and the facilities which the societies are able to offer to their members.

### FACILITIES PROVIDED BY STUDENTS' SOCIETIES

#### General activities

8. The Council introduced the compulsory membership clause in articles of clerkship because it believed and continues to believe that active membership of a students' society is an important part of the education of an articled clerk. The Council is convinced that students' societies can offer

facilities for the education of future members of the profession, beyond the limits of the examination syllabus.

9. Few articled clerks can fail to profit from using the opportunities to take part in the general activities of students' societies. The necessary encouragement to do so should be given from the very beginning of the period of articles. Indeed, in the first year of service it is particularly important that the articled clerk should begin the approach to his future career with the right outlook.

10. The societies arrange lectures, discussions, mock meetings and debates, usually on subjects of importance in the profession and not necessarily selected with a view to preparing students for the examinations of the Institute. They also organise short residential courses of lectures, at which discussion in groups is specially encouraged, as well as social and sporting events. These activities have great value in training articled clerks to marshal ideas, in making them conversant with the procedure at meetings, in introducing them to leading members of the profession, in providing opportunities for clerks to discuss their experience and problems with each other and in cultivating that sense of corporate responsibility without which an articled clerk cannot later take his proper place in the profession.

11. Demonstrations of accounting machines and office equipment and visits to offices and works and to such institutions as banks, stock exchanges, law courts and various commodity exchanges all play their part in broadening the knowledge and education of articled clerks.

12. The societies' libraries are another valuable feature of the facilities available. By giving a clerk access to a comprehensive range of books relating to the profession a students' society can encourage him to read widely and can provide him with a selection of additional reading to supplement examination textbooks.

13. An articled clerk's studies for his examinations and his practical experience should be supplemented by the wider education which the students' societies are able to provide. A newly-qualified chartered accountant will then be better able to face the responsibilities which await him and to recognise his obligations to the Institute of which he has become a member.

### Tuition

14. In addition to the facilities referred to above, there are tuition classes or lectures arranged through students' societies designed to aid articled clerks in their practical work and in their preparation for examinations; these offer the benefit of oral instruction which some clerks find specially helpful and can form a valuable supplement to regular reading and written work.

15. Unless a small membership makes it necessary, students' societies should not endeavour to expand tuition classes at the expense of their wider educational activities. Whatever may be provided by way of



tuition classes, the aim of each students' society should be to arrange a separate and adequate programme of wider educational activities and to persist with members in securing their attendance.

16. In planning a programme a students' society should take fully into account other tuition lectures and classes which are available to its members and the times when they are held. This applies especially to arrangements in the period usually devoted to pre-examination revision.

#### "DISTANT" STUDENTS

17. An articulated clerk who does not reside in or near the town in which a students' society has its headquarters is sometimes not in a position to take full advantage of his membership. In some cases it may be appropriate to provide reduced rates of subscription for such students, but this is no solution of the problem of the "distant" student. Means should be found to provide all articulated clerks with the maximum possible benefit from their membership of a students' society.

18. Many students' societies have taken steps to meet the difficulties of these "distant" students: the number of branches of students' societies has increased; local groups of articulated clerks under the aegis of students' societies have been formed; some societies vary the town in which their activities take place; meetings are held on Saturday mornings or as a whole-day session so that members who reside at a distance can take advantage of a programme which would be impossible for them if held in the evenings. The residential course in particular is especially valuable, and no more difficult to attend than for the articulated clerk in the society's home town.

19. The importance of membership of a students' society is such that no application to omit the prescribed clause in articles of clerkship relating to membership has been granted merely on the grounds of distance. The Council's view is that an articulated clerk should keep himself in touch with the activities of his students' society. He will be able to take advantage of the postal lending facilities of the society and to make arrangements to attend a particular meeting or function which he feels would be of special value to him and, in particular, the residential course.

20. Articled clerks who may be working away from the offices of their principals may find it convenient during such absence to take advantage of the facilities offered by a students' society (or its branch) in the area where they are temporarily engaged. Students' societies welcome such visitors and provide information on request.

#### MANAGEMENT

21. A valuable feature of students' societies is that their officers and committees are drawn largely from articulated clerks themselves, enabling them to have experience in carrying responsibility for the society's affairs. The effective management of those affairs calls for enthusiasm,

ingenuity, inventiveness, hard work and imagination, tempered by realism. It is well known that officers of students' societies have to undertake a considerable volume of work on behalf of those societies. The demands of study, particularly at examination times, are such that some articulated clerks who would make capable officers fail to take the part they might do in these important duties.

22. The support and encouragement of the principal is of outstanding importance. In recent years Presidents of the Institute have emphasised the invaluable contribution which principals can make by giving their articulated clerks the time and facilities necessary to act as officers of students' societies. Any articulated clerk before accepting office should discuss the matter with his principal.

23. Support is readily given by district societies, which take a "parental" interest in the affairs of students' societies. Liaison between students' societies and district societies is achieved in a variety of ways, for example by:

(a) the appointment of members from the district society to serve on the committee of the students' society;

(b) the establishment of a liaison committee, representative both of the district and students' societies;

(c) the practice of presidents of district societies receiving invitations to attend committee meetings of students' societies;

(d) unofficial contact between members of students' society committees and principals, whose advice is valued.

24. The Council has not recommended the adoption of any particular method. It is more important that contact should be made without difficulty as and when desired rather than that liaison should take any particular constitutional form. Some students' societies may find it more convenient to make contact with a branch of a district society. A students' society cannot fail to profit from the benefits which can be obtained from members of the Institute taking an active interest in its affairs. The experience of the officers of district societies can be of especial value in the arrangement of lectures, residential courses and social functions.

#### FINANCE

25. Each students' society is expected to manage its own affairs so that it is self-supporting financially. Where a students' society wishes to undertake activities for which it cannot provide from its income, it is essential that discussions should take place with the appropriate district society. Each district society receives annually from the funds of the Institute a grant for use in its discretion to further its own activities and those of branches, students' societies and joint tuition committees in its area. It follows that district societies will consider the requests of students' societies against competing claims when determining the allocation of funds from their grants. This system of grants enables the assessment of

such claims to be made in relation to the varying local needs. The grant system serves to underline the need for the closest liaison between district and students' societies.

26. In arranging the finance of any particular educational activity it is important to take care, so far as possible, no articulated clerk is prevented from obtaining the benefit solely because any special fee which may be charged is too high for him.

#### SUGGESTIONS FOR DEVELOPMENT

27. The responsibility which the Council has placed on students' societies for furthering the education of articulated clerks will govern their policy. An important part of their function will be to arrange activities of a broad educational value and to see that they are available to all their members. Constant effort is required to increase active membership.

#### Increasing the support given by articulated clerks generally

28. The programme of a students' society will depend upon its size, its resources and its particular problems. The following suggestions, many of which have been drawn from the successful experience of students' societies, are offered.

##### (a) Lectures

29. No effort should be spared to secure leading personalities to give lectures or addresses. Wherever possible the individual should be a person who is either generally known as an authority on his subject or who has special knowledge derived from his career or achievements, and who is a good lecturer.

##### (b) Residential courses

30. Without any substantial interference with either office training or study, residential courses for week-ends or other short periods can provide, as in no other way, the opportunity for wider education in its best forms, instruction and practical insight from lecturers and also facilities for full and personal discussion and the development of the feeling of corporate responsibility in the profession. Special care should be taken to avoid reducing such courses to mere cramming; the effect is inevitably to lose the major benefit of the wider education which they can offer and also to encourage articulated clerks to postpone or even to abandon the essential study which must be carried out as part of the normal correspondence course.

##### (c) Mock meetings, debates and discussions

31. The most fruitful source of education and enjoyment is to be found in those activities in which articulated clerks themselves participate. These best serve to encourage orderly thinking, reasoned argument and clear convincing speech. Careful choice of subject and discussion leaders is necessary, and the subject must be of general interest to give the widest opportunity to take part. It may be desirable to limit some meetings and discussions to newly-articled clerks.

*(d) Visits*

32. Demonstrations of accounting machines and office equipment, visits to local offices and works, banks, stock exchanges, law courts and commodity exchanges are of practical value in broadening the knowledge and education of articled clerks.

*(e) Social and recreational*

33. Social functions provide an opportunity for articled clerks to meet each other, leading members of the profession and eminent men in other walks of life and they promote personal contacts within the profession. Sporting activities are another valuable feature of students' societies, some of which have regular annual fixtures with other student bodies.

34. An essential requirement for the success of the students' society activities is enthusiasm on the part of members. Enthusiasm will not breed by itself; it must be stimulated by impressing upon each member the importance to him of taking full advantage of the facilities available. Few articled clerks appreciate the importance of the wider activities of students' societies, in which they should participate quite apart from any tuition course for their examinations. An imaginative and persistent approach to all new members is essential. It should be supported by an approach to principals to encourage their articled clerks to take a keen and active interest throughout the period of articles in spite of the calls of the examinations upon their time.

35. Lack of support for any lecture or function should be a challenge to any students' society. A programme, however well organised, will fail to attract those who are not convinced of the benefits of a students' society. The following suggestions are made:

(a) a canvass by those who attend regularly of those who are seldom if ever seen at meetings;

(b) the provision of informal social occasions; though a students' society is not primarily a social club, these activities may help to create an interest in its other functions;

(c) special circulars drawing attention to any particularly attractive event in the society's programme; posting programmes on office notice-boards, separate programmes for autumn and spring sessions, short descriptions in programmes of the content and importance of each lecture;

(d) inviting members who do not attend to indicate their reasons for non-attendance and asking them to suggest, for example, lecture subjects and other types of activity which would be of interest to them and to others.

36. The task of increasing the proportion of active members is perhaps the most important which the committee of a students' society has to face. Efforts should be regular, persistent and organised. It can properly be made the special responsibility of a member of the committee to record and analyse attendances and by this means to suggest what action should be taken to

encourage others to attend. Under one of the prescribed clauses in articles the principal has "the right to ask for reports relating to the articled clerk" from a students' society, and records of attendance at lectures and other functions should therefore be maintained.

*Increasing the participation of "distant" students*

37. The special difficulties confronting "distant" students are the time and expense involved in travelling to centres at which meetings are held. The attitude of the principal may be a material consideration where, on account of travelling time, absence during office hours is necessary. The following suggestions are made:

*(a) The holding of a full day's session*

38. A full day's session could include lectures both of general interest and of a "tuition" character. Although in ordinary circumstances it is considered inadvisable to combine such activities, it may be helpful in encouraging "distant" students to attend. In most cases a Saturday will probably be the most convenient day; a series of Saturday morning lectures and discussions is a common feature of many students' societies.

*(b) "Repeat" activities*

39. Lectures considered to be of special importance could be given again at centres other than those at which meetings are normally held.

*(c) Variation of main centre*

40. Lectures can be held on occasions at centres other than that at which activities are normally conducted.

*(d) Local groups*

41. Local groups need not be established on formal lines. An interchange of experience and problems in a small group can be invaluable. To organise such groups effectively will require a keen articled clerk, probably in the latter part of his service, or a member who has recently qualified, to act as group leader for local arrangements. It will also require help from local practising members who are prepared to act in an advisory capacity and to attend meetings perhaps three or four times a year; such members may often be able to assist with accommodation for meetings.

*(e) Residential courses*

42. Residential courses are probably the most valuable means of providing facilities for "distant" students. All students' societies are advised to consider earnestly the holding of such courses. It may be necessary for two or more societies to combine to make effective arrangements. They need not be over-ambitious either in length or in the number of lectures provided: the opportunity of discussing problems is the essence of the occasion. While many articled clerks attending residential courses also attend regularly at the normal lectures and meetings held by students' societies, it is

proper that "distant" students should be given every opportunity and encouragement to attend. Articled clerks should be divided into small groups for discussion purposes, and each group requires a suitable leader. Many students' societies now arrange these courses, and therefore advice on the problems arising is available to other societies who wish to profit from that experience. The honorary secretary of the Union of Chartered Accountant Students' Societies will be pleased to give advice.

*ENCOURAGEMENT BY PRINCIPALS*

43. Students' societies may find it rewarding to approach principals to encourage their articled clerks to take a keen and active interest in the activities of students' societies. The advice of the appropriate district society is regarded as an essential first step in considering any such approach. Suitable occasions may arise as follows:

(a) on acknowledgment of the clerk's entrance fee and/or annual subscription;

(b) when a newly-articled clerk who has been a member for some months does not appear or does not appear frequently at meetings;

(c) at the end of a session when the students' society would, if asked, be in a position to give a report on the articled clerk under the relevant prescribed clause in his articles.

44. It is regarded as important that principals should be kept informed of the programme of activities of the students' society. In particular, activities such as full-day meetings and residential courses which require absence from the office of the principal should be published well in advance so that there is ample time to make arrangements for the clerk's absence.

45. One of the best long-term methods of ensuring that members of the Institute come to regard the activities of students' societies as an integral part of the training of articled clerks is to encourage articled clerks as they qualify to remain members of the students' society. To the extent that they have derived benefit from their membership they will, whether they remain in a practising office—as qualified assistants and perhaps later as principals—or take up positions in industry or commerce, be able to make a useful contribution to a students' society.

## Members' Library

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:* Accounting for Oil and Gas Producers; by C. A. Smith and H. R. Brock. Englewood Cliffs, N.J. 1959. (Prentice-Hall, 72s.) Agricultural Law and Tenant Right; by N. E. Mustoe and R. H. Wood: 5th edn. 1959. (Estates Gazette, 105s.) Auditing: a C.P.A. review manual; by B.



- Newman. New York. 1958. (John Wiley, 102s.)
- The Business Computer Symposium: Olympia, London, December 1-3, 1958. (Sir Isaac Pitman & Sons). 1959. (Pitman, 75s.)
- Business Forecasting. (Market Research Society). 1958. (M.R.S., 15s.)
- Committee on the Working of the Monetary System: Report. Cmd. 827. (Committee on the Working of the Monetary System.) 1959. (H.M.S.O., 15s.)
- Consequential Loss: insurances and claims; by D. Riley: 2nd edn. 1959. (Sweet & Maxwell, 50s.)
- Covenants, Settlements and Taxation; by G. B. Graham: 2nd edn. 1959. (Solicitors Law Stationery Soc., 10s. 6d.)
- Farm Rents and Tenure; by J. T. Ward. (1959.) (Estates Gazette, 15s.)
- Financial Management; by R. W. Johnson. Boston, U.S.A. 1959. (Allyn & Bacon, 63s.)
- Gold and Paper: a history of the National Bank of Australasia Ltd.; by G. Blainey. Melbourne. 1958. (Georgian House, presented.)
- The Great Swindlers; by Judge G. Sparrow. 1959. (John Long, 18s.)
- Hire-purchase Accounts and Finance; by H. S. Cook, J. A. Hermon, A.C.A., and H. Pearse. 1959. (Gee, presented, 27s. 6d.)
- How to Finance Your Business. (Shaw Publishing Co.). 1959. (Shaw Publishing, 3s. 6d.)
- How to sell successfully by Direct Mail; by J. W. W. Cassels: 3rd edn. 1956. (Business Publications, 30s.)
- Income Growth with Security: the formula-plan solution; by S. F. Feyler. New York. 1958. (Macmillan, 34s. 6d.)
- Income Tax Act Annotated . . . 1959; by H. H. Stikeman. Toronto. 1959. (De Boo, 50s.)
- Legal Aspects of Foreign Investment; by W. G. Friedmann and R. C. Pugh. Boston, U.S.A. 1959. (Little, Brown & Co., 152s.)
- Linear Programming: methods and applications; by S. I. Gass. New York. 1958. (McGraw-Hill, 52s. 6d.)
- The Local Government Act, 1958; by H. Parrish. 1959. (Butterworth, 27s. 6d.)
- Machine Accounting; by O. Sutton: (3rd edn.) by L. M. Nation-Tellery. 1959. (Macdonald & Evans, 42s.)
- Management Development: a systematic approach to the provision of supervisors and managers; by F. I. de la P. Garforth. 1959. (Institute of Personnel Management, 15s. 6d.)
- The 1959 Income Tax Legislation . . . ; by A. S. Silke. Cape Town. 1959. (Juta, 16s. 6d.)
- Principles of Administrative Law; by J. A. G. Griffith and H. Street: 2nd edn. 1957. (Pitman, 40s.)
- The Principles of Company Law; by R. R. Pennington. 1959. (Butterworth, 50s.)
- The Role of the Managing Director; by G. Copeman. 1959. (Business Publications, 42s.)
- Shaw's practical guide to Valuation for

- Rating. (Shaw & Sons). 1959. (Shaw, 30s.)
- Some Pillars of English Law; by J. Duhamel and J. D. Smith. 1959. (Pitman, 20s.)
- Statistical Sources for Market Research. (Market Research Society). 1957. (M.R.S., 10s. 6d.)
- Taxation Guide: 1959/1960 Budget Edition; by J. D. Jenkins. Bradford. (1959.) [Typescript.] (J. D. Jenkins, 21s.)
- Who Owns Whom: a directory of parent and subsidiary companies in industry and commerce. (O. W. Roskill & Co.) 2nd edn. 2 vols. (1959.) (O. W. Roskill & Co., 84s.)

## Luncheon to the Lord Mayor

THE PRESIDENT, Mr. C. U. Peat, and members of the Council of the Institute of Chartered Accountants in England and Wales gave a luncheon at the Hall of the Institute on October 7. The guests included the Lord Mayor of London (Sir Harold Gillett, a fellow of the Institute), Mr. Alderman and Sheriff Hubert Pitman, Mr. Rodway Stephens (Chief Commoner), Sir William Sykes (Chairman, Coal and Corn and Finance Committee), Mr. Leslie B. Prince (Chairman, Rates Finance Committee), Mr. E. H. Nichols (Town Clerk), Mr. Desmond Heap (Comptroller and City Solicitor), Mr. Paul C. Davie (Remembrancer), Brigadier R. F. S. Gooch (Secretary to the Lord Mayor), Mr. H. A. Mealand (City Planning Officer), Colonel B. Lumsden (Common Cryer and Serjeant-at-Arms) and Captain G. H. Bennett (City Marshal).

## District Societies

### LIVERPOOL

IN A FOUR-BALL match at Formby Golf Club on October 2 the Liverpool Law Golfing Society beat the Liverpool Society of Chartered Accountants by four matches to two.

### LONDON

MR. J. D. RUSSELL, M.A., F.C.A., Chairman of the London and District Society, presided at a dinner held in the Mansion House on October 6. Mr. C. U. Peat, M.C., F.C.A. (President of the Institute) proposed the toast of the Lord Mayor, the Corporation and the Sheriffs, to which the Lord Mayor (Sir Harold Gillett, M.C., F.C.A.) responded. Mr. H. O. H. Coulson, F.C.A., proposed the toast of the London and District Society. Mr. Russell responded.

### SOUTH WALES AND MONMOUTHSHIRE

THE AUTUMN Golfing Society meeting was

held at the Royal Porthcawl Golf Club on September 29. The results were as follows: *Morning Medal Round, Captain's Due (Principals)*: winner, R. T. W. Cross; runner-up, A. Blackburn.

*Deloitte Tankard (Students)*: J. M. Sant. *Visitors*: winner, G. Ellis; runner-up, A. J. Walkley.

*Afternoon Stableford Foursomes*: winners, A. Millichip and D. K. Kieft; runners-up, T. R. Morris and A. Hooper.

## STOKE-ON-TRENT AREA BRANCH

THE FOLLOWING HAVE been elected officers and committee members of the Branch for the year 1959/60: Chairman, Mr. C. C. Bullock; Immediate Past Chairman, Mr. R. A. Harding; Founder Chairmen, Mr. F. W. Carder and Mr. F. G. Nicholas; Vice-Chairman, Mr. E. Buxton; Secretary, Mr. N. E. Dunning; Treasurer, Mr. F. W. Carder, Junior; Librarian, Mr. C. Malkin; Committee, Mr. C. W. Blagg, Mr. R. R. Gower, Mr. J. P. Elliott, Mr. H. Poole, Mr. A. B. Snow, Mr. E. O. Toft, Mr. S. O. Woodgett. Members serving on the Birmingham and District Society Committee: Mr. C. W. Blagg (alternate Mr. A. B. Snow). Member serving on the Birmingham Regional Taxation and Research Committee: Mr. R. W. Cooke. Member serving on the Committee of the Stoke-on-Trent Area Branch of the Birmingham Students' Society, Mr. N. E. Dunning. Honorary Auditor, Mr. G. B. Bennett.

## Students' Society of London

### President's Meeting

THE PRESIDENT'S MEETING of the Chartered Accountant Students' Society of London was held in Guildhall on October 5. There was an attendance of about 800 to hear the guest speaker, Field Marshal Viscount Montgomery of Alamein.

Mr. W. E. Parker, C.B.E., F.C.A. (President of the Students' Society) introduced those on the platform, who included the Lord Mayor of London (Alderman Sir Harold Gillett, M.C., F.C.A.); Lord Montgomery; Mr. C. U. Peat (President of the Institute of Chartered Accountants in England and Wales); Sir Harold Barton (past President of the Institute and a Vice-President of the Students' Society); Mr. W. H. Lawson (past President of the Institute); Mr. W. G. Campbell (formerly a Council member of the Institute, now a lay member of the Restrictive Practices Court); Sir Harold Howitt (past President of the Institute, a Vice-President of the Students' Society and one of the "Three Wise Men"); Mr. D. V. House (past President of the Institute); Sir Richard Yeabsley (member of the Institute Council and formerly President of the Society of Incorporated Accountants); Mr. E. Kenneth Wright (member of the



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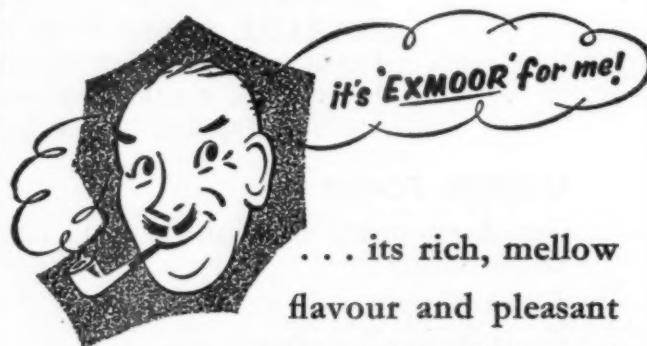
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At the President's Meeting of the Students' Society of London  
Left to right: The Lord Mayor (Sir Harold Gillett, M.C., F.C.A.); Mr. W. B. Parker, C.B.E., F.C.A. (President of the Students' Society); and Viscount Montgomery of Alamein.

Institute Council and a Vice-President of the Students' Society); Mr. John Russell (Chairman of the London and District Society); Mr. H. O. H. Coulson (one of the honorary auditors of the Students' Society); Mr. W. K. Wells (honorary treasurer); and Mr. M. W. Russell (chairman of the committee).

The Lord Mayor of London (Alderman Sir Harold Gillett, M.C., F.C.A.) extended a welcome to the Students' Society—the largest body of indentured apprentices in the City of London.

Field-Marshal Viscount Montgomery of Alamein said that, since his withdrawal last year from active employment in the British Army and as an international soldier, he had had time to ponder on the tension between the nations. He had the tremendous advantage that he knew all the leaders of the free world and quite a few of the Communist leaders. In April he went to Moscow, and found Mr. Khrushchev most anxious to reach a settlement by discussions and negotiation and not by fighting. Subsequent events showed that they were moving slowly towards a summit conference, and everyone agreed that it ought to be held.

The recent British plan for disarmament was the best that had been put forward at any time. It was practical and workable.

As readers will have seen in the national Press, the Field-Marshal then went on to state his views on the political parties!

Mr. C. U. Peat (President of the Institute) proposed a vote of thanks to Lord Montgomery for his magnificent speech. This was accorded with acclamation.

The meeting concluded with a vote of thanks to Mr. Parker, proposed by Mr. B. Lund.

#### Course at Oxford

THE LONDON STUDENTS' SOCIETY held its senior residential course at Balliol College, Oxford, from September 17 to 20. More than two hundred students were present—182 in residence, while 21 Oxford students joined them in attendance at the lectures

and in the group discussions which followed. Many applicants were disappointed owing to lack of accommodation. The chairman was Mr. W. K. Wells, B.A., F.C.A., Hon. Treasurer of the Students' Society.

Professor G. S. A. Wheatcroft, M.A., J.P., F.I.I.S., F.I.I.T., Editor of the *British Tax Review* (then Master of the Supreme Court but now Professor of English Law at the London School of Economics) gave a lecture on "Tax Avoidance and Evasion." Subsequent lectures were: "Management in Practice," by Mr. A. P. Ravenhill, F.C.A. (chief accountant of the United Africa Co. Ltd.); "Economic Factors in Business Planning," by Professor G. C. Allen, C.B.E., M.COM., PH.D. (Professor of Economics, University College, London); "Share Valuations and Takeover Bids," by Dr. C. R. Curtis, M.SC.(ECON.), PH.D., F.C.I.S.; and "Good Form in Accounts," by Mr. Charles Aston, A.C.A. (general manager, P. & O. Steam Navigation Company).

Mr. W. E. Parker, C.B.E., F.C.A., President of the Students' Society, presided at dinner on the Thursday evening, and the guests included Mr. H. H. Keen, M.A., F.C.A. (Secretary to the University Chest and a Fellow of Balliol), Mr. E. Kenneth Wright, M.A., F.C.A. (a Vice-President of the Students' Society), Mr. J. F. Ray, F.C.A., and Mr. S. W. Treadgold (President and Secretary of the Oxford Students' Society), Mr. Bruce Sutherland, F.C.A. (Chairman of the Oxford Course of the Birmingham Students' Society), and Mr. D. K. Rowe-Ham (Secretary of the Birmingham Students' Society).

## Forthcoming Events

### BIRMINGHAM

November 3.—"Some Current Schedule E Tax Problems," by Mr. H. H. Monroe, M.A., Barrister-at-Law. Members' meeting. Queen's Hotel, at 6 p.m.

### Students' Meetings and Function

October 20.—"An Executor's Accounts," by Mr. K. S. Carmichael, A.C.A. Imperial Hotel, Temple Street, at 6 p.m.

October 21.—Students' visit to Cadbury Bros., Bournville. At 2 p.m.

October 27.—Joint Lecture arranged by the Birmingham University Accounting Society. "Economic Policy in General," by Mr. C. Harbury, B.COM. The University, Edmund Street, at 6.30 p.m.

November 3.—"Reflections on the Published Accounts of Limited Companies," by Prof. D. Cousins, B.COM., A.C.A. 36 Cannon Street, at 6 p.m.

November 11.—Visit to the Triplex Safety Glass Co. Ltd.

November 13.—Annual Dinner. Grand Hotel.

November 17.—"Building Societies," by Mr. T. D. Bisiker, A.C.A. 36 Cannon Street, at 6 p.m.

### BOURNEMOUTH

November 4.—Members' meeting. Devonshire Hotel, at 6 p.m.

### BRIGHTON

November 6.—First Annual Dinner of the South-Eastern Society. Hotel Metropole, at 7 p.m.

### Students' Meetings

Students' meetings to be held, unless otherwise indicated, in Conference Room 3, Royal Pavilion, at 10.15 a.m.

October 24.—"Taxation—Partnerships," by Mr. A. J. Turner, A.C.A.

October 31.—"Partnership Law," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law.

November 7.—"Consolidated Accounts," by Mr. F. E. Hargreaves, F.C.A.

November 14.—"Executors' Law," by Mr. S. G. Maurice, Barrister-at-Law.

November 18.—Visit to Crawley New Town and the A.P.V. Company Ltd.

November 21.—"Auditing—Verification of Assets and Liabilities," by Mr. R. Glynne Williams, F.C.A.

### BRISTOL

November 5.—Dinner and Dance of the Bristol Society.

### CARDIFF

Students' lectures to be held, except where otherwise stated, at the Institute of Engineers, Park Place.

October 23.—"Balance Sheet Audits," by Mr. C. J. Russell. At 2 p.m.

October 24.—Lecture at 9.30 a.m.

October 30.—"Liquidations," by Mr. S. Chater. At 2 p.m.

October 31.—Lecture at 9.30 a.m.

November 6.—"Partnership Accounts," by Mr. I. Griffiths. At 2 p.m.

November 7.—Lecture at 9.30 a.m.

November 13.—"Schedule D Cases I and II and Capital Allowances," by Mr. K. S. Carmichael, A.C.A. The Park Hotel, at 2 p.m.

November 14.—Lecture. The Park Hotel, at 9.30 a.m.



**CARLISLE**

October 29.—Students' visit to offices of National Cash Register Co., National House, 25 London Road, at 7 p.m.

November 12.—"The Audit of a Limited Company," by Mr. D. Rich, A.C.A. Students' meeting. The Crown and Mitre Hotel, at 6.45 p.m.

**COVENTRY****Members' Meetings**

October 19.—Luncheon meeting. Talk by Dr. A. J. Richmond, Ph.D., B.Sc., M.I.MECH.E. Chace Hotel.

October 29.—Dinner-Dance. Hotel Leofric.

November 17.—Dinner meeting. Mr. B. G. Rose, F.C.A., will give a talk entitled "The Work of a Provincial Issuing House." Hare & Squirrel Hotel.

**Students' Meetings**

Students' meetings at the Golden Cross, Hay Lane, at 6 p.m.

November 2.—"Advertising," by a Sales Manager.

November 16.—A Mock Income Tax Interview with an Inspector and a Commissioner of Taxes.

**DARLINGTON**

November 11.—Annual Dinner of North Yorkshire and South Durham Branch. King's Head Hotel, at 7 for 7.30 p.m.

**DERBY**

November 10.—"Surtax in relation to controlled Companies," by Mr. J. E. Talbot, F.C.A. Members' meeting. Midland Hotel, at 6.30 p.m.

**EASTBOURNE****Students' Meetings**

October 22.—Visit to Messrs. T. R. Beckett Limited, touring the printing works, followed by a short talk by their Secretary on the industry and its accounting problems.

October 31.—"The Basis of Assessment under Schedule D," by Mr. G. W. Davies, F.C.A. Civil Defence Hall, Furness Road, at 10.30 a.m.

November 14.—"Company Accounts from the Investor's Point of View," by Mr. T. H. O'Brien, A.C.A. Civil Defence Hall, Furness Road, at 10.30 a.m.

November 18.—Coach visit to Crawley New Town and the A.P.V. Company Ltd.

**EXETER**

October 22.—"Management Accounting for Agriculture," by Mr. S. T. Morris, M.Sc. Members' meeting. The Rougemont Hotel, at 6.15 p.m.

November 19.—"Work Study in the Office," by Mr. A. E. Williams. Members' meeting. The Imperial Hotel, at 6.15 p.m.

**GRIMSBY****Students' Meetings**

October 20.—"My Word is My Bond" and "The New York Stock Exchange." Stock Exchange Films followed by a short talk by Mr. A. Beddie. College of Further Education, Nuns' Corner, at 7.30 p.m.

November 19.—"Executorship Accounts" and "Equitable Apportionments," by Mr. E. Edwards, M.B.E., A.A.C.C.A. Grimsby Conservative Club, 35 Bargate, at 4 and 7 p.m.

**HARROGATE**

November 13-15.—Third Residential Course on Management Accounting arranged by the Leeds, Bradford and District Society. Old Swan Hotel.

**HASTINGS**

October 19.—Students' visit to Aylesford Paper Mills.

October 24.—"Taxation of Partnerships," by Mr. G. W. Davies, F.C.A. Students' meeting. Chatsworth Hotel, at 10.15 a.m.

November 7.—"Investigations into Defalcations," by Mr. H. A. Kinney, F.C.A. Students' meeting. Chatsworth Hotel, at 10.45 a.m.

**HUDDERSFIELD**

November 10.—Members' luncheon meeting. Whiteleys Restaurant, 12.30 for 12.45 p.m.

**HULL****Members' Function**

October 30.—Dinner of the Hull, East Yorkshire and Lincolnshire Society. The Guildhall, at 7 for 7.30 p.m.

**Students' Meetings**

Students' meetings held at the Imperial Hotel, Paragon Street.

October 30.—"Law of Matrimony," by Mr. T. N. Wheldon, Solicitor; "Office Organisation," by Mr. R. M. Strachan, A.C.A.; and "Overseas Affairs and Method." At 6.15 p.m.

November 11.—"Limited Company Accounts," by Mr. J. Palmer, F.C.A., at 6.15 p.m.

November 12.—"Income Tax," by Mr. H. A. R. J. Wilson, F.C.A., for Intermediate Students, at 4 p.m.

November 12.—"Income Tax," by Mr. H. A. R. J. Wilson, F.C.A., for Final Students, at 6.15 p.m.

**IPSWICH**

October 27.—Students' lecture by an Inspector of Taxes. The offices of Ensor, Son & Goult, 7 Elm Street, at 7.30 p.m.

**KESWICK**

November 20.—Annual Ball of the Cumberland Branch. Members' Function. Royal Oak Hotel.

**KETTERING**

Students' lectures, arranged in conjunction with the Kettering Accountancy Discussion Group. At the office of Messrs. Cattell & Chater, High Street, at 5.45 p.m.

October 21.—"Consolidated Accounts," by Mr. R. S. Waldron, F.C.A.

November 18.—Visit to Stewarts and Lloyds (Corby) to see the computer.

**KINGSTON-ON-THAMES**

November 2.—Meeting of the South-West

London Discussion Group. The Kingston Hotel, at 6.45 p.m.

**LEEDS****Members' Meetings**

October 23.—Annual Dinner of the Leeds, Bradford and District Society. Queen's Hotel, at 6.45 for 7.30 p.m.

November 13-15.—Third Residential Course on Management Accounting. Old Swan Hotel, Harrogate.

October 30.—Luncheon meeting. Great Northern Hotel, at 12.45 for 1 p.m.

**Students' Meetings and Function**

October 21.—"From Death to the Opening of the Executor's Books" and "Writing-up and Closing the Executor's Books," by Mr. S. W. Telfer, B.Com., A.C.A. Leeds and County Conservative Club, South Parade, at 4.30 and 6 p.m.

October 23.—Tea with the President and the Secretary of the Institute. The Queen's Hotel, at 4 p.m.

October 28.—"Schedule D—Cases I and II," and "Changing of Accounting Dates," by Mr. J. S. Heaton, F.C.A. Leeds and County Conservative Club, South Parade, at 4.30 and 6 p.m.

November 4.—"My Word is My Bond," film in sound and colour, lent by the Stock Exchange, and "The Stock Exchange," by a member of the City of London Society. Leeds and County Conservative Club, at 4.30 and 6 p.m.

**LINCOLN**

Students' Meetings to be held at the Great Northern Hotel, High Street, at 5.45 p.m.

October 22.—"Office Methods," by Kalamazoo Limited.

November 19.—"How the Law Works," by Mr. Philip H. Race.

**LIVERPOOL**

October 29.—"Management Ratio Scheme," by Mr. H. W. G. Kendall, F.C.W.A. Members' meeting. The Chartered Accountants' Library, 5 Fenwick Street, at 5.30 p.m.

**Students' Meetings**

October 22.—"Case Law and Examinations," by Mr. R. G. Highcock, LL.B., A.C.A., A.A.C.C.A. The Library, at 5 p.m.

October 30.—Visit to Martins Bank Limited, Head Office, at 3 p.m.

November 5.—"General Financial Knowledge," by Mr. K. Graves, B.Sc.(ECON.), A.I.B., A.C.C.S. The Library, at 5 p.m.

November 12.—"The New State Pension Scheme, and its effect on the Budget," by Mr. J. M. Beattie, F.I.A., F.F.A. The Library, at 5 p.m.

**LONDON****Members' Meetings**

October 21.—Meeting of the North London Discussion Group. Chief Inspector Carter of New Scotland Yard will lead the discussion on "The Work of the Fraud

Squad." Russell Hotel, Russell Square, W.C.1, at 6.30 p.m.

October 27.—"What the Investment Analyst would like to see in Company Reports and Accounts," by Mr. A. R. English, A.C.A. The Oak Hall, The Institute, Moorgate Place, E.C.2, at 6 p.m.

October 28.—Meeting of the Management Discussion Group. Samson, Clark & Co. Ltd., 57 Mortimer Street, W.1, at 6 p.m.

November 2.—Meeting of the South-West London Discussion Group. The Kingston Hotel, Wood Street, Kingston-on-Thames, at 6.45 p.m.

November 4.—Meeting of the Taxation Discussion Group. The Cheshire Cheese, 10 Surrey Street, W.C.2, at 6 p.m. for 6.15.

November 11.—Meeting of the City Discussion Group. The Cock and Bottle, Laurence Pountney Hill, Cannon Street, E.C.4, at 6 p.m. for 6.30.

November 12.—Meeting of the Central London Discussion Group. The Lamb and Flag, 33 Rose Street, Covent Garden, W.C.2, at 6.30 p.m.

November 16.—Luncheon of London and District Society. Guest Speaker—Sir Arthur Forde, M.A., Chairman of the British Broadcasting Corporation. Connaught Rooms, at 12.30 for 1 p.m.

November 18.—Meeting of the North London Discussion Group. Russell Hotel, at 6.30 p.m.

#### MANCHESTER

##### Members' Meeting and Function

November 9.—"The Work of the Post Office with Particular Reference to the Accounting Side," by Mr. J. E. Morris. Luncheon meeting. Board Room, 46 Fountain Street, at 12.45 p.m.

November 19.—Annual dinner of the Manchester Society. Midland Hotel.

##### Students' Meetings

In addition to the meetings set out below, the following series of lectures have been arranged by the Joint Tuition Committee, to be held at the Chartered Accountants' Hall, 46 Fountain Street, at 9.30 and 11 a.m.:

Preparatory Lectures (lecturers Mr. E. G. Turner, M.C., F.C.A., Mr. G. D. Ashcroft, A.C.A., and Mr. C. Yates, F.C.A.) on November 14 and 21. Intermediate lectures (lecturers, Mr. H. C. Cox, F.C.A., Mr. W. N. Thomson, A.C.A., and Mr. C. Yates, F.C.A.) on October 24 and 31 and November 7. Final lectures (lecturers, Mr. J. C. Wood, LL.M., Mr. R. Y. Taylor, B.A., A.C.A., Mr. C. C. Hunt, Senior Inspector of Taxes) on October 24 and 31 and November 7, 14, 21.

Students' meetings held at the Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m., unless otherwise indicated.

October 22.—Visit underground to a Manchester colliery (by arrangement with the National Coal Board). Limited number. October 29.—"A Practical Approach to Auditing Problems," by Mr. D. R. Brooks, B.A.(COM.), A.C.A.

November 5.—"Double Taxation Relief," by Mr. C. C. Hunt (Senior Inspector of Taxes).

November 12.—"Branch Accounts," by Mr. K. S. Carmichael, A.C.A.

November 19.—Visit to Wilson's Brewery Ltd., Newton Heath. Assemble at 46 Fountain Street, at 2 p.m.

#### MIDDLESBROUGH

November 10.—"Partnership Accounts," by Mr. D. Rich, A.C.A. Students' meeting. Hinton's Café, at 6.15 p.m.

#### NEWCASTLE UPON TYNE

##### Members' Function

November 13.—Annual Dinner of the Society. The Old Assembly Rooms, Westgate Road.

##### Students' Meetings

Students' meetings to be held at Y.M.C.A., Blackett Street.

October 29.—"Estate Duty Computations," by Mr. V. S. Hockley, B.COM., C.A. At 6 p.m.

November 11.—"Group Profit and Loss Accounts," by Mr. D. Rich, A.C.A., at 2.15 p.m.

#### NEWPORT, I.O.W.

October 26.—"General Financial Knowledge," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A. Students' meeting. Bugle Hotel, at 5.30 p.m.

#### NORTHAMPTON

##### Members' Function

October 19.—Annual Dinner of the Leicestershire and Northamptonshire Society. The "Salon," Franklin's Gardens.

##### Students' Meeting and Function

October 19.—President's tea party. Visit of the President of the Institute. Wedgewood Café, at 3.45 p.m.

November 5.—"Statutory Equitable Apportionments," by Mr. R. Glynne Williams, F.C.A., F.T.I.L. Plough Hotel, at 6 p.m.

#### NOTTINGHAM

Students' meetings to be held in the Ballroom, Elite Cinema, Parliament Street.

October 21.—"Accounts from Incomplete Records" and "Liquidation and Bankruptcy Accounts," by Mr. C. J. Russell, A.C.A. At 4 p.m.

October 28.—"Machine Accounting," by a member of International Computers and Tabulators Ltd. At 5.30 p.m.

November 4.—Visit to an installation of International Computers and Tabulators Ltd.

November 11.—Newly articulated clerks' tea. Address by the President, Mr. H. T. Scotborne, F.C.A.

November 18.—"Branch Accounts" and "Consolidated Accounts" by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A. At 4 p.m.

#### OXFORD

##### Members' Meeting

November 3.—Meeting with Tax Inspectors. Members will be invited to ask questions. The Kemp Green Room, Boswell House, Broad Street, at 6.30 p.m. Coffee and sandwiches at 6.15 p.m.

##### Students' Meeting

In addition to the students' meeting set out

below, pre-examination lectures will be given at the Royal Oxford Hotel on October 22, at 6.45 p.m., October 23 at 9.30 a.m., and October 31 at 9.30 a.m., by Mr. V. S. Hockley, B.COM., C.A., A.C.C.A., and Mr. H. E. Applebee, LL.B.

November 10.—"Partnership Law," by Mr. S. G. Maurice, Barrister-at-Law. Kemp Restaurant, Broad Street, at 6.30 p.m.

#### PETERBOROUGH

November 11.—"Will our Client obtain his Bank Overdraft?" by Mr. P. F. Coles, F.I.B. Students' meeting. Bull Hotel, at 6.45 p.m.

#### PLYMOUTH

November 5.—"Recent Cases of Interest to Accountants," by Mr. S. G. Maurice. Members' meeting. Grand Hotel, at 6.15 p.m.

November 5.—"Bankruptcy and Liquidations," by Mr. S. G. Maurice. Students' meeting. Grand Hotel, at 4.15 p.m.

#### PRESTON

The following series of lectures, to be held at the Masonic Hall, Saul Street, off Lancaster Road, at 10 and 11.15 a.m., have been arranged by the Joint Tuition Committee:

Intermediate lectures (lecturers, Mr. C. C. Hunt, Senior Inspector of Taxes, Mr. W. Pickles, B.COM., F.C.A., Mr. H. C. Cox, F.C.A., Mr. W. N. Thomson, A.C.A., Mr. C. Yates, F.C.A.) on October 24 and 31 and November 7 and 14.

Final lectures (lecturers, Mr. W. Pickles, B.COM., F.C.A., Mr. C. C. Hunt, Senior Inspector of Taxes, Mr. J. C. Wood, LL.M., Mr. R. Y. Taylor, B.A., A.C.A.) on October 24 and 31 and November 7, 14 and 21.

#### READING

October 22.—Annual general meeting of Reading Group, followed by talk by Mr. E. K. Wright, F.C.A. The Berkshire Club, Blagrove Street, at 6.45 p.m.

#### RYDE

November 23.—"Income Tax—Schedule D and Personal Computations," by Mr. K. S. Carmichael, A.C.A. Students' meeting. Spencers Inn, at 5.30 p.m.

#### SCUNTHORPE

October 29.—"Schedule D Computations, Cases I and II," by Mr. G. N. Gillingwater, F.A.C.C.A., A.C.A. Students' meeting. Scunthorpe Chamber of Trade Hall, at 7.30 p.m.

#### SHEFFIELD

##### Students' Meetings

To be held at the Grand Hotel, at 5.30 p.m. October 30.—"Eighth Schedule of the Companies Act, 1948," by Mr. V. S. Hockley, B.COM., C.A. October 31.—"Auditing," by Mr. V. S. Hockley, B.COM., C.A. November 20.—Joint Debate with the Law Students' Society.



**SHREWSBURY**

November 4.—"Partnership and Branch Accounts," by Mr. R. Glynne Williams, F.C.A. Students' meeting.

**STOCKTON**

October 27.—"The Development of English Law," by Mr. E. Marsham, Solicitor. Students' meeting. Black Lion Hotel, at 6.15 p.m.

**SUNDERLAND**

To be held in the Museum Room, Sunderland Technical College.

October 29.—"Examination Points on the English Legal System," by Mr. D. P. Worthy. At 6.15 p.m.

November 11.—"The Verification of Assets," and "Consolidated Accounts," by Mr. D. Rich, A.C.A. At 2.15 p.m.

**TRURO**

November 6.—"Recent Cases of Interest to Accountants," by Mr. S. G. Maurice. Members' meeting. Red Lion Hotel, at 6.15 p.m.

November 6.—"Bankruptcy and Liquidations," by Mr. S. G. Maurice. Students' meeting. Red Lion Hotel, at 4.30 p.m.

**WOLVERHAMPTON**

October 26.—"Twisted Talents," by Chief Inspector Hinson, Birmingham C.I.D. Members' meeting. Victoria Hotel, at 6 p.m.

**Students' Meetings**

At the Victoria Hotel, at 6 p.m.

November 3.—"An Executor's Accounts," by Mr. R. Glynne Williams, F.C.A.

November 11.—"Auditor's Problems," by Mr. V. S. Hockley, B.COM., C.A.

**YORK**

October 21.—Members' luncheon meeting. De Grey Rooms, at 1 p.m.

## Chartered Accountants' Golfing Society

THE AUTUMN MEETING was held at the Berkshire Golf Club on October 2. The results were as follows:

*Stableford Medal:* P. Lynn (1st Prize); H. C. Staines (2nd Prize and scratch prize).

*Stableford Foursomes:* E. E. W. Mullett and A. Milling (1st Prize); H. Lemmon and R. A. Daniel (2nd Prize).

*Turquand-Young Challenge Cup* (best aggregate of summer meeting and autumn meeting): P. Lynn. Runner-up, A. W. Coleman.

*Singles Tournament:* D. J. Hedges (6) beat S. Pleydell-Bouverie (18) by 3 and 2 over 36 holes in the final round.

*A. O. Miles Challenge Cup:* Messrs. Hays, Akers and Hays beat Messrs. Fitcher, Head, Smith and Co. by 9 and 7 over 36 holes in the final round.

## Personal Notes

Messrs. C. Percy Barrowcliff & Co., Chartered Accountants, Middlesbrough, Newcastle, Leeds and Wakefield, and Messrs. Armitage, Carlisle & Co., Chartered Accountants, Leeds, announce the amalgamation of the two practices. The

partners in the latter firm have been admitted into the partnership of C. Percy Barrowcliff & Co., under which name the practices are now being carried on. Messrs. C. Percy Barrowcliff & Co. further announce that Mr. J. D. Hebden, A.C.A., and Mr. J. B. Dixon, A.C.A., who have been members of their staff for a number of years, have been admitted into partnership.

Messrs. Alexander B. Neil & Co., Chartered Accountants, London, E.C.2, announce that they have made arrangements with Messrs. Wilson, Bigg & Co., Chartered Accountants, as a result of which the practice, formerly carried on by Mr. Alexander Neil on his own account, is now carried on by a new firm consisting of Mr. Neil and two of the partners of Wilson, Bigg & Co., Mr. C. C. Bigg and Mr. K. S. Carmichael.

Messrs. Josolyne, Miles & Co., Paris, announce that they have admitted to partnership Mr. J. W. Horton, Mr. D. E. Verdon-Roe, and Mr. J. Drylie, and that the practice is being carried on in association with that of Messrs. Barton, Mayhew, Horton & Turquand Youngs at 12 Rue Lincoln, Champs-Elysees, Paris VIIIe.

Messrs. Barton, Mayhew, Horton & Turquand Youngs, Paris, have admitted to partnership Mr. R. D. Norman and Mr. T. F. Hubbard, partners in Messrs. Josolyne, Miles & Co., Paris.

Messrs. Barton, Mayhew, Horton & Turquand Youngs, Paris, have opened an office at 4 Treurenberg, Brussels.

Messrs. Mellors, Basden & Co., Chartered Accountants, London, E.C.2, announce that they have taken into partnership Mr. E. T. Lewis, A.C.A., who has been a member of their staff for some years. The style of the firm is unchanged.

Messrs. Whinney, Smith & Whinney, Chartered Accountants, London, E.C.2, announce that they have admitted to partnership Mr. Peter Godfrey, A.C.A., and Mr. John A. P. Whinney, A.C.A., who have been members of the staff for some years. Mr. Whinney, who is the son of Mr. D. H. Whinney, served his articles with the firm.

Messrs. Lawrence B. Butters & Co., Chartered Accountants, have taken additional premises at 227 Holland Park Avenue, London, W.11. This is now their principal office.

Messrs. Allen, Baldry, Holman & Best and Messrs. Gordon Heynes & Co. announce the amalgamation of their practices. The combined firm is now practising under the style of Allen, Baldry, Holman & Best at Bilbao House, 36 New Broad Street, London, E.C.2, and Prudential Buildings, Guildford. Mr. E. Garrett is the resident partner at Guildford.

Mr. R. A. Samuels, A.C.A., has been appointed secretary of the National Bank of New Zealand Ltd.

Mr. J. M. S. Coates, O.B.E., F.C.A., has been appointed to the Board of Directors of George Angus & Co. Ltd., Newcastle-upon-Tyne. Mr. Coates was until his retirement in June a partner in the firm of Price Waterhouse & Co.

Mr. C. H. Jackson, A.C.A., formerly vice-chairman and assistant managing director, has been appointed chairman and joint managing director of Telephone Manufacturing Co. Ltd., London, S.E.1.

Mr. S. J. Birkett, F.C.A., announces that he has taken into partnership his son, Mr. M. J. Birkett, A.C.A. They are in practice at 6 Hanover Square, London, W.1, as Birkett, Wesson & Co., Chartered Accountants (incorporating Birkett, Boughey & Co., and Walter Wesson & Co.).

Mr. T. Leslie Perry, F.C.A., chairman of Bradley & Co. Ltd., has joined the Board of W. P. Butterfield Ltd., Shipley, and Mr. Leslie Jones, A.C.A., commercial manager of the latter company, has joined the Board of Bradley & Co. Ltd. These appointments follow the acquisition by W. P. Butterfield Ltd. of the Ordinary shares of Bradley & Co. Ltd.

Mr. P. J. Tucker, A.C.A., has been appointed secretary of F. J. Reeves & Fox Elliott Ltd., Totnes, and associated companies.

Mr. W. J. Kilpatrick, M.A., C.A., has been appointed assistant secretary to Gillett Brothers Discount Co. Ltd., London, E.C.3.

Messrs. Moss & Williamson, Chartered Accountants, Ashton-under-Lyne, have taken into partnership Mr. John P. Stansfield, A.C.A. The name of the firm is unchanged.

Messrs. Williamson, Stoker & Co., Chartered Accountants, London, W.C.1, and Paris, announce that Mr. C. A. Worssam, O.B.E., F.C.A., has retired from the firm after being in practice for forty-five years.

Messrs. Greenhalgh, Sharp & Co., Manchester, announce that Mr. H. S. Thorpe has retired from the firm after an association extending over forty-eight years. The remaining partner, Mr. Jack Seal, F.C.A., has taken into partnership Mr. Fred White, A.C.A., who has been a member of the staff for many years. The practice continues at the same address as Greenhalgh, Sharp & Co., Chartered Accountants.

Messrs. Gray, Stainforth & Co., Chartered Accountants, London, W.1, have admitted into partnership Mr. F. C. P. Shears, A.C.A., who joined their staff in 1938.

## Obituary

We regret to record the death of **Edwin Paul Kachel**, F.C.A., a partner for the last six years in Messrs. E. C. Barber & Co., Chartered Accountants, London, E.C.3., formerly with Messrs. Martin, Farlow & Co. He became a member of the Society of Incorporated Accountants in 1936 and was admitted to the Institute under the integration scheme.

With regret we record the death of **Ronald Edwin Macfadyen**, F.C.A., a member of the Institute since 1921, and for more than thirty-seven years a partner in Messrs. Humble & Glenton, Chartered Accountants, Newcastle upon Tyne.



## Classified Advertisements

Advertisements under "Appointments Vacant", "Practices & Partnerships", "Appointments Required", "Articled Clerks"—eightpence per word. Under "Official Notices", "Miscellaneous" and other headings—one shilling per word. Box numbers—five shillings extra (including the five words in the advertisement). Semi-displayed panels—£4 per column inch. All terms prepaid. Replies to Box Number advertisements should be addressed Box No. . . . c/o ACCOUNTANCY, 23 Essex Street, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.

### APPOINTMENTS REGISTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Employers who have vacancies for members on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Institute's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Moorgate Place, London, E.C.2. Tel. Monarch 8506.

### APPOINTMENTS VACANT

THE FEDERAL GOVERNMENT OF NIGERIA requires ACCOUNTANTS as follows for appointments on contract for one tour in the first instance of 12-18 months, with prospects of extension:

1. **PRINCIPAL ACCOUNTANTS** at a fixed salary of £2,244 per annum (including Inducement Allowance), who must be Associate Members of the Institute of Chartered Accountants and have wide accounting and administrative experience and be not less than 32 years of age. To take general charge of one of the three main divisions of the Federal Treasury under direct control of the Accountant General.
2. **SENIOR ACCOUNTANT** to take charge of one of the larger sections of the Federal Treasury, to be responsible to the Principal Accountant for the organisation of the section and the training and control of a large staff. Candidates must be in possession of a recognised accounting qualification and have had wide experience. Salary according to experience £1,728-£1,962 per annum (including Inducement Allowance).
3. **SENIOR EXECUTIVE OFFICERS (ACCOUNTANTS)** to take charge of one of the sections of the Federal Treasury. Candidates must have had wide accounting experience and hold a University pass degree or must have passed the Final Examination of the Chartered Institute of Secretaries or the Corporation of Secretaries. Salary according to experience £1,608-£1,824 per annum (including Inducement Allowance).
4. **ACCOUNTANT** to supervise and control any one of the various sections of the Federal Accounting Organisation. Candidates should be Associate Members of the Institute of Chartered Accountants or the Association of Certified and Corporate Accountants. Salary according to experience £990-£1,962 per annum (including Inducement Allowance).

An outfit allowance of £60 is paid on salaries not exceeding £1,524 per annum. A gratuity of £150 per annum is paid for satisfactory service. Liberal leave on full pay. Free passages for officers and wives. Quarters at low rent. Income Tax at low local rate. Children's allowances. Candidates should write for application forms and further particulars, stating age, qualifications and experience, and which post they are applying for, within ten days of publication of advertisement, to The Appointments Secretary, FEDERAL PUBLIC SERVICE COMMISSION, 9 Northumberland Avenue, London, W.C.2, quoting Y.124/10.

**AUDIT CLERKS** Many vacancies waiting for Senior, Semi-senior or Junior. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

A **SENIOR COST CLERK** required for factory administration department operating budgetary control and standard costs. Applicants should have some experience in costing and have passed at least the intermediate examination of the Institute of Cost and Works Accountants. Applications in writing stating experience to the Personnel Manager, PHILIPS HAMILTON WORKS LTD., Wellhall Road, Hamilton.

**ACCOUNTANCY** Staff from Articled to top salaried ACCOUNTING & TAXATION APPTS. NO FEES TO STAFF. CONDUIT ST. BUREAU (GRO: 7080) 4 Conduit St., Oxford Circus, W.1. Open daily 8.30 to 7.30: Sats. 9-1.

**ACCOUNTANTS** required by GOVERNMENT OF NORTHERN NIGERIA for Ministry of Finance on contract for two tours of 12/24 months in first instance. Commencing salary according to age, quals. and expe. in scale (including Inducement Allowance) rising to £1,824 a year. For candidates possessing recognised professional accountancy qualification, entry point will be not less than £1,170 a year and for other candidates not less than £840 a year. Gratuity at rate £100/£150 a year. Clothing allowance £45. Free passages for officer and wife. Assistance towards children's passages and grant up to £288 yearly. Liberal leave on full salary. Candidates must have responsible accounting experience. Knowledge of punched card accountancy equipment advantageous. Preference given to candidates under 35 who are members of one of the recognised accountancy bodies. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M3A/52809/AD.

**ACCOUNTANT**, preferably with three or four years commercial experience, required for Colombian Branch of U.K. Public Company to take charge of office staff and financial matters. A sound knowledge of practical manufacturing and sales accounting is essential: knowledge of Spanish an advantage. Good salary and first class air travel for applicant and wife. Four months' home leave after four years' local service. Preliminary period of training would be given in this country. Excellent opportunity with prospects. Interviews, London area. Box No. 247, c/o ACCOUNTANCY.

**BIRMINGHAM** Chartered Accountants have vacancies for qualified staff, experienced or recently qualified. Pension scheme. Apply in writing with brief particulars—C. HERBERT SMITH & RUSSELL, 40-42 Great Charles Street, Birmingham 3.

**BUILDING SOCIETY** with office in the West End of London invites applications for the appointment of an Accountant. Applicants should be members of the Institute, and between the ages of 23/33. Salary in accordance with age and experience. It is intended that the appointment shall commence on the 1st February next. Applications should be sent to Box No. 67, Mercury House, 20 St. Bride Street, London, E.C.4.

**CHARTERED ACCOUNTANT** required in medium-sized practice (staff around 40) in London (City). Excellent opening for an ambitious man capable of undertaking responsible duties. Salary according to qualifications and experience. Write fully to Box No. 246, c/o ACCOUNTANCY.

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### ASSISTANT CONTROLLER

A large precision engineering group, part of a world-wide organisation, has a vacancy for an Assistant Controller. Applicants must be Chartered Accountants, aged between 30 and 35, preferably with industrial experience in a manufacturing concern.

The Assistant Controller will be responsible to the Financial Director and Controller for the co-ordination of the accounting activities of the group which comprises three major divisions and two subsidiary companies. He will be located at the Head Office in West London and will receive a salary of at least £2,500 a year and a company car will be provided.

The company is engaged on the reorganisation of its procedures and the introduction of modern accounting techniques on a large scale and the successful applicant must play a major part in these developments. This is an important position which offers exceptional experience and excellent prospects to the right man.

Applications (which will be treated in the strictest confidence) should contain full details of age, education, qualifications and positions held, with dates and salaries, and should be sent, quoting reference A.C.19, to the Staff Manager, COOPERS & LYBRAND, 14 George Street, Mansion House, London, E.C.4.

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Applicants should hold U.K. passport and should apply in writing to Box No. 250, c/o ACCOUNTANCY, giving details of age, education, experience, present occupation and salary.

### CONSULTING ACCOUNTANTS

Cooper Brothers & Co. have several vacancies for Chartered, Certified or Cost and Works Accountants with experience in punched card procedures.

Applicants should have had at least 5 years' experience in industry or commerce working in close contact with punched card equipment and be capable of preparing detailed mechanised procedures. They should also have had experience of plugging control panels for at least one type of tabulator, although this knowledge will be required principally to enable them to instruct staff.

Candidates should be between 30 and 40 and should have agreeable personalities. The work is interesting and offers attractive salaries and prospects.

Applications (which will be treated in the strictest confidence) should contain full details of age, education, qualifications and positions held with dates and salaries and should be sent to the Staff Manager, COOPER BROTHERS & Co., 14 George Street, Mansion House, London, E.C.4.

**LARGE CITY FIRM** of Chartered Accountants has vacancies for qualified accountants. Good experience and salary, five-day week, pension fund. Box No. 204 c/o ACCOUNTANCY.

**LONDON CHARTERED ACCOUNTANTS** require qualified Accountant with 2-3 years' experience since qualifying. No Saturdays. Pension scheme available. Write Box No. 233, c/o ACCOUNTANCY.

**PEAT, MARWICK, MITCHELL & CO.,** 11 Ironmonger Lane, London, E.C.2, have vacancies in their London office for young Chartered Accountants who wish to widen their experience in all branches of accountancy. Excellent prospects, good starting salary, pension scheme. Opportunities for service overseas. Applications to 11 Ironmonger Lane, E.C.2.

**PERU—Deloitte, Plender, Griffiths & Co.** have vacancies for two qualified single accountants in their Lima office. Salary is dependent on experience but at a rate suitable to maintain a good standard of living and allow a margin for savings. At present there are no exchange restrictions in Peru and personal income taxes are low. Further information about terms of employment will be given at an interview in London. Write in the first instance with brief details of experience to DELOITTE, PLENDER, GRIFFITHS & Co., 5 London Wall Buildings, London, E.C.2.

**PRICE WATERHOUSE PEAT & CO.** have openings for qualified accountants on their staff in BUENOS AIRES, Argentina, South America. Applications are invited from men recently qualified and from men with several years' professional experience since qualifying.

The terms of engagement are attractive and include a good commencing salary which is considered adequate to give a comfortable living standard and afford a good margin for saving. Contracts are for three years and provide for initial kit allowance, shipboard expenses, first class outward and return passages and three months' home leave on full salary and are renewable subject to satisfactory service. Applications should be sent, stating age, qualifications and experience, to Staff Manager, 11 Ironmonger Lane, London, E.C.2.

**PRICE WATERHOUSE AND CO.** have vacancies for young qualified accountants who wish to acquire a wide and varied experience. Good starting salary and excellent prospects. Opportunities to transfer abroad in due course. Write to 3 Fredericks Place, Old Jewry, London, E.C.2.

**QUALIFIED CHARTERED ACCOUNTANT** required by West End Accountants. Salary £900 p.a. Write giving particulars to ROTH, MANBY & Co., 6 Vigo Street, London, W.1.

**QUALIFIED ACCOUNTANT** required for large Midland Manufacturing Company. Applicant should be under 40 years of age and have sound experience in modern industrial accounting methods and standard cost systems. Pension Scheme in operation. Reply in confidence giving age, experience, positions held and salary required. Box No. 248, c/o ACCOUNTANCY.

**RECENTLY QUALIFIED** Chartered Accountant required by Insurance Company in London. Excellent prospects for suitable candidate. Write in first instance, giving details of education, age and business experience (if any) and salary required to Box No. 249, c/o ACCOUNTANCY.

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